Government of Saskatchewan

Annual Report 2003-2004

Agriculture, Food and Rural Revitalization

Saskatchewan Centennial 2005

Annual Report 2003-2004

Agriculture, Food and Rural Revitalization

Ninety-Ninth Annual Report
for the fiscal year ending
March 31, 2004

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Saskatchewan Agriculture, Food and Rural Revitalization's 2003-04 Annual Report is available in PDF format at the following Web site: http://www.agr.gov.sk.ca/

Letters of Transmittal

July 2004

Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

As Minister of Agriculture and Food, it is my pleasure to submit the annual report for Saskatchewan Agriculture, Food and Rural Revitalization for the twelve months ending March 31, 2004.

Respectfully submitted,

The Honourable Mark Wartman
Minister of Agriculture and Food

July 2004

The Honourable Mark Wartman
Minister of Agriculture and Food

Sir:

I wish to present to you the annual report of Saskatchewan Agriculture, Food and Rural Revitalization for the fiscal year ending March 31, 2004.

Respectfully submitted,

Doug Matthies
Deputy Minister

Introduction

The 2003-04 Annual Report of Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR) describes departmental results for the key actions and performance measures that were published in the 2003-04 Performance Plan. The report also describes results associated with the key actions included in *Our Plan for 2003-04*, the Government wide plan released with the 2003-04 Budget.

The format and content enhancements to this year's annual report reflect the continued implementation of the Government's Accountability Framework. The 2003-04 Annual Report provides more detailed analysis and discussion of performance results, additional financial disclosure on revolving funds administered by SAFRR and on loans and guaranteed debt that the department is responsible for managing. By reporting actual year-end results, both financial and performance, as compared to the plan released one year earlier, the department increases its accountability to the public.

The above plan was released in July 2003 as part of SAFRR's *2002-03 Annual Report*. It may be found at http://www.agr.gov.sk.ca/DOCS/about_US/department_info/SAF0203annualrpt.pdf.

Our Plan for 2003-04, the government wide plan released with the 2003-04 Budget, is available at http://www.gov.sk.ca/finance/budget/budget03/ourplan.pdf.

In addition, the department's 2004-05 Performance Plan was released with the provincial budget on March 31, 2004. It may be found at http://www.agr.gov.sk.ca/docs/about_US/department_info/agriculture0405plan.pdf.

Who We Are

The mandate of Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR) is to foster a commercially viable, self-sufficient and sustainable agriculture and food sector and healthy, diverse rural communities. Working with individuals, businesses, communities and governments, SAFRR assists farmers and ranchers, encourages higher value production and processing and promotes sustainable economic and social development in rural Saskatchewan.

Through these efforts, the department seeks to achieve its vision of "a thriving agricultural sector and dynamic rural communities that contribute to an enhanced quality of life for all Saskatchewan residents."

In pursuit of this vision and to deliver on its mandate, SAFRR provides programs, technical support and specialist services to encourage the expansion of the livestock sector, the diversification to higher value crops and additional processing of agricultural production. The department also funds ongoing risk management programs to help producers offset risks in crop production, stabilize income and deal with economic disasters.

SAFRR is working to increase hog and beef production in the province. Intensive livestock operations (ILOs) are one opportunity that promotes economic growth. Saskatchewan's advantages include a large land base, abundant feed grains (in most years), access to technology and a strong regulatory process, which can ensure that this expansion is done in an environmentally safe manner. This province was the first in Canada to establish legislation specifically for ILOs.

Responsibility for irrigation was transferred from Sask Water to SAFRR on October 1, 2003. Under *The Irrigation Act, 1996*, the Irrigation Development's Agro-Environmental Unit is responsible for Irrigation Certification.

SAFRR provides up to date information to producers and other stakeholders through telephone and office contacts, field contacts, farm calls and organized producer events. Information is also provided through publications, fact sheets, television and radio programs and newspaper articles. A growing percentage of producer inquiries is handled by phone or e-mail.

Research and development is an essential component of our strategy to help achieve the long-term viability and growth of the agricultural production and processing industries.

Our support of the Crop Development Centre at the University of Saskatchewan has yielded a multitude of new crop varieties over the years. Many are bred specifically for Saskatchewan's climate and help to make our producers world leaders in malting barley and special crops production (particularly lentils and peas). These crops have provided critical alternatives to the wheat economy, which is the traditional focus of the provincial agricultural sector.

Government support of biotechnology has resulted in the city of Saskatoon becoming one of two key agricultural research locations in Canada. The department also provides significant third-party funding for research and development to maintain and enhance the sector's competitive position.

SAFRR manages approximately 7.4 million acres of Crown land, including:

- 5.92 million acres of land classified as agricultural (cultivated, forage and native) and
- 1.46 million other acres, composed of:
  - 29,083 acres of non-agricultural land such as oil and gas leases, quarry, public and commercial land;
  - 99,321 acres of land under agreement for sale;
  - 805,460 acres of provincial pasture land;
  - 473,119 acres of Prairie Farm Rehabilitation Administration (PFRA) land; and
  - 51,523 acres of vacant land.

The department collects revenue of approximately $29 million from Crown land (excluding revenues received under the Pastures Program Revolving Fund). This total includes petroleum and gas leases, rent on cultivation, hay and grazing leases, and other land revenues and administration fees.

Additional programs delivered by the department during 2003-04 included the Conservation Cover Program, the Farm Family Opportunities Initiative and the Livestock Loan Guarantee Program. SAFRR also delivers crop insurance programming under an ongoing federal-provincial agreement.

On December 22, 2003, the Minister of Saskatchewan Agriculture, Food and Rural Revitalization signed the Canada-Saskatchewan Implementation Agreement which sets parameters for the various programming alternatives that will be offered under the Agricultural Policy Framework (APF). The agreement ensures that Saskatchewan farmers will have access to the national programming provided for under the APF.

Among other programming, the Implementation Agreement establishes what programming will be available under the Business Risk Management Chapter of the APF. Business Risk Management programming nationally has moved to a two-program set consisting of Production Insurance (which in Saskatchewan is delivered by the Saskatchewan Crop Insurance Corporation) and the new Canadian Agricultural Income Stabilization (CAIS) program. CAIS offers both income stabilization and income disaster protection in one program. It replaces the Net Income Stabilization Account (NISA) program, which

provided producers with income stabilization protection and the Canadian Farm Income Program (CFIP) that provided producers with income disaster protection. The CAIS program is in place to provide support for producers in the 2003 stabilization (tax) year.

SAFRR is also experienced in rapidly developing and delivering short-term assistance programs that deal with extraordinary shocks to the provincial farm economy. This skill was utilized when addressing the economic impact of a single case of BSE in western Canada in May 2003, and in dealing with the effect of ongoing drought in some parts of the province.

Through the Rural Issues Office, SAFRR is responsible for facilitating the implementation of *A Strategy for Rural Saskatchewan: Responding to ACRE*, as well as the ongoing deliberations of the Action Committee on the Rural Economy (ACRE). Directly or indirectly, ACRE's deliberations and recommendations have resulted in a number of actions by the Provincial Government. These include:

- introduction of lower royalty and production tax structures for the oil and gas sector;
- reduction of the Corporation Capital Tax surcharge for the resource sector;
- changes to provincial laws restricting farm land ownership; and,
- inclusion of the farmer/owner operator category to the Saskatchewan Immigrant Nominee Program (SINP) to allow recruitment of foreign farmers who have experience in areas such as irrigation farming.

In addition, SAFRR participates in the provincial Safe Drinking Water Strategy. The department's role in water management centres on the relationship between agricultural activities and water resources. SAFRR protects drinking water source supplies through research and technology, regulatory and transfer programs.

A well-informed and highly skilled staff is a critical ingredient in the achievement of SAFRR's strategic goals. A number of programs and policies have been implemented that recognize the need for SAFRR to recruit and retain skilled individuals and be viewed as a workplace of choice. This objective is pursued in conjunction with the goals established in the department's Employment Equity and Diversity Plan.

Accurate and timely disbursement of information is an important function of SAFRR. The minister, deputy minister and department officials and staff undertake numerous speaking engagements and presentations at industry events. These activities ensure awareness and understanding of SAFRR's policies, programs and services.

News announcements, media coverage and individual interviews are used extensively to explain new initiatives and directions and to provide commentary on industry developments. Staff attendance at annual meetings of farm organizations and industry groups helps promote the partnership role of the department, particularly in industry development. Membership in various agencies and institutions that serve agriculture is a key tool in promoting working relationships that maximize the department's contribution to the industry.

In addition, the department issues numerous publications on different aspects of the agriculture and food industry. Provincial specialists monitor research programs and develop technical information for use by producers to improve crop and livestock production and to assist in the adoption of new crops. Information is provided in written or electronic form and presented at producer meetings and through individual contact.

SAFRR is aware that our agricultural production and processing industries operate in a dynamic environment that requires adapting to the challenges of a rapidly changing world. As such, our strategic planning must be cognizant of the current state of the industry, longer-term trends and emerging opportunities. That process of understanding the agricultural environment includes continuous dialogue with producers and producer organizations. The following organizations and groups have a primary interest in working with the department to improve the agricultural sector and the rural economy.

The Action Committee on the Rural Economy (ACRE)

ACRE was formed in September 2000 by the Government of Saskatchewan to act as a catalyst for innovative ideas that address the challenges and opportunities facing rural Saskatchewan. Since its inception, this industry and citizen stakeholder committee has gathered information to develop a comprehensive long-term strategy for positive change and economic growth in our rural areas.

ACRE has already had a significant impact on the rural economy and continues to play an important role in the future of Saskatchewan's rural development. In recognition of this role, the Province extended ACRE's mandate for an additional year and expanded its mandate. It is now tasked with providing feedback on the Rural Strategy, engaging rural Saskatchewan in an ongoing dialogue, monitoring delivery of the Rural Strategy and re-examining the rural economy and recommending new actions by early 2005.

In its expanded role, ACRE has identified several important areas where additional work is required and established five subcommittees to undertake that work. These subcommittees will provide recommendations to government in the areas of rural infrastructure, rural employment, rural business development and Crown land. A Rural Opportunities Conference Subcommittee was also struck to organize the four regional Rural Opportunities Conferences which were held in February, 2004. A final ACRE report and recommendations are expected early in 2005.

Bovine Spongiform Encephalopathy (BSE) Advisory Committee

The 14-member BSE Advisory Committee was established by the Minister of Agriculture, Food and Rural Revitalization shortly after the announcement of a single case of BSE in Alberta. The primary objectives of this committee are:

- to provide the Minister with the cattle industry's viewpoint on how the BSE crisis was/is affecting the various sectors of the cattle industry;
- to provide the Minister with the cattle industry's views/opinions on recommended options to mitigate the negative impact this crisis is having on the various sectors of the industry; and
- to be a vehicle for communication and exchange of information.

The Livestock Loan Guarantee Program Producer Advisory Committee

The 11-member Producer Advisory Committee is made up of representatives from the cattle, bison and sheep industries. Members of the committee represent associations in their region in discussions with lenders and government on program policy and general operating guidelines. In this way, they ensure producers' needs and concerns are heard. The committee's duties also include recommending program changes to government, participating in regional meetings and providing a forum for general discussion of the livestock industry.

Commodity Development Boards/Commissions

Key producer organizations, such as the Saskatchewan Pulse Growers, Saskatchewan Canola Development Commission, Saskatchewan Beekeepers Association and the Saskatchewan Herb and Spice Association are consulted regarding program development and delivery. They provide critical support for programming and service delivery on specific problems.

Agriculture Development Fund Board

The 13-member board assists in determining objectives for the fund, makes recommendations for the development and revision of research and development programs, reviews project and program proposals and recommends funding twice yearly.

Farm Support Review Committee (FSRC)

The FSRC includes seventeen members appointed by the Minister of Agriculture, Food and Rural Revitalization to provide feedback and input to the government on safety net/ business risk management issues.

Farm Organizations

SAFRR has made a major commitment to ongoing consultations and regular meetings with a wide range of producer and agri-business organizations, such as the National Farmers Union, the Canadian Wheat Board, the Saskatchewan Stock Growers Association, the Saskatchewan Cattle Feeders Association, Sask Pork, the Saskatchewan Association of Rural Municipalities, the Agriculture Producers Association of Saskatchewan, Saskatchewan Agrivision Corporation Inc. and many others. These meetings are essential for understanding the concerns of the industry and are often a way of discussing potential policy initiatives. The Minister also maintains regular contact with less formal groups that he has established to provide advice and direction on issues that may arise.

Department Organization

As of March 31, 2004, SAFRR had 907.1 full-time equivalent (FTE) positions at 34 locations throughout the province. The head office is located in Regina. Other offices are located in Assiniboia, Biggar, Canora, Davidson, Estevan, Humboldt, Indian Head, Kindersley, LaRonge, Leader, Lloydminster, Maple Creek, Meadow Lake, Melville, Moose Jaw, Moosomin, Nipawin, North Battleford, Outlook, Preeceville, Prince Albert, Raymore, Rosetown, Saskatoon, Shaunavon, Swift Current, Tisdale, Turtleford, Unity, Watrous, Weyburn, Wynyard and Yorkton.

The following is a breakdown of the FTE positions at the beginning of the fiscal year:

Administration	39.0
Land Management	42.9
Livestock and Veterinary Operations	39.0
Policy and Planning[1]	67.7
Agriculture Research	18.5
Agriculture Development and Technology Transfer	89.9
Investment Programs	72.4
Revolving Funds[2]	124.1
Saskatchewan Crop Insurance Corporation	313.6
Total (Organization)	907.1

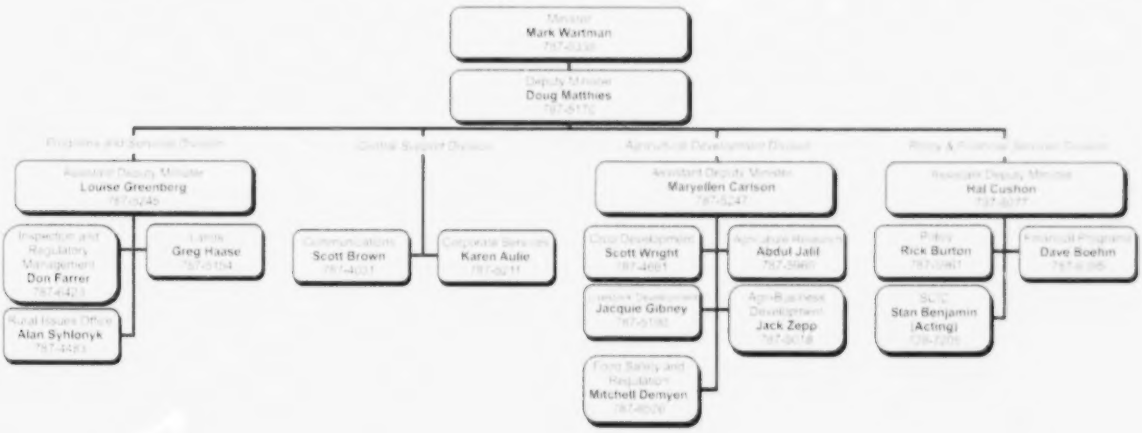
[1] During the year, 13 FTE positions were transferred to the Department of Highways and Transportation.

[2] Revolving Funds consist mostly of seasonal employment for the Saskatchewan Pasture Program and Livestock Inspection Services.

Saskatchewan Agriculture, Food and Rural Revitalization is composed of four major divisions: Programs and Services Division; Central Support Division; Agricultural Development Division; and the Policy and Financial Services Division, which includes Saskatchewan Crop Insurance Corporation (SCIC).

Saskatchewan Agriculture, Food and Rural Revitalization

2003-2004



2003-04 Results at a Glance

Key highlights of SAFRR's 2003-04 performance and financial results are noted in this section. Many of these results were directly affected by weather and international market disruptions.

Crop production in Saskatchewan rebounded significantly from the drought-reduced output of the previous year. However, the impact of the drought continued to affect 2003 economic activity. The livestock sector also experienced economic downturns. The cattle industry was negatively affected by reduced access to the U.S. market stemming from the discovery of one case of Bovine Spongiform Encephalopathy (BSE) in Alberta. This disrupted the domestic beef market, and had negative implications for other red meats such as pork. This, in turn, negatively affected hog production.

Despite these developments, the department achieved several successes that furthered the development and progress of the provincial agricultural sector and the people and families that make up the industry.

Summary of Performance Results

A summary of the most important results achieved by SAFRR with respect to the goals identified by the department in its 2003-04 Performance Plan is provided below. More detailed information on the results associated with all key actions and performance measures is provided in the next section.

Goal 1: A Thriving, Environmentally Sustainable Agriculture Production and Processing Industry

- Supported a 3.5 per cent increase in hogs marketed in the province during calendar year 2003 to 1.96 million animals.
- Supported a three per cent increase in slaughter steers and heifers marketed to over 185,000 head.
- Assisted beef producers in dealing with the economic impact of BSE. The negative impact this had on cow prices forced many producers to retain cows and resulted in the more than eight per cent increase in the January 1, 2004 population numbers reported for the provincial beef cow herd, compared to the year previous.
- Contributed to a 46 per cent increase in the dollar value generated per acre of crop produced. Much of this increase stemmed from a return to more normal crop production from the drought reduced levels of 2002.
- Encouraged an increase in provincial primary agriculture Gross Domestic Product (GDP) plus agri-value (food, beverage and feed processing) GDP of 30 per cent during the calendar year 2003.
- Promoted a further reduction in summerfallow area as a percentage of total cultivated land to 15.5 per cent.

Goal 2: Strong and Resourceful Agricultural People and Families

- Received 482 program inquiries to the Farm Family Opportunities Initiative and approved 192 applicants for training or diversification assistance.
- Handled almost 133,000 inquiries for technical information, including over 40,000 on crops and special crops, over 43,000 on forages and livestock, and almost 15,000 on farm management.

Summary of Financial Results

The 2003-04 department budget was $251.8 million; the department also received Special Warrants authorizing a $128.5 million expenditure increase and a statutory adjustment for Revolving Funds of $0.6 million, making total available funding $380.9 million. Total SAFRR expenditures for the 2003-04 fiscal year were $378.4 million (prior to an adjustment for the Net Income Stabilization Account program), resulting in a variance of $2.5 million.

The following table provides a summary of actual expenditures, including the statutory adjustments for revolving funds:

SAFRR Expenditures		Actual
	(thousands of dollars)	
Personal Services	$	26,073
Supplier and Other Payments	$	15,892
Transfers to Individuals	$	295,090
Transfers for Public Services	$	41,419
2003-04 Expenditures (includes statutory adjustments to Revolving Funds)	$	378,474

SAFRR exceeded its original budget estimate primarily as a result of two factors:

First, significant ad hoc assistance was provided to the livestock industry as a result of the difficulties that sector encountered due to the discovery of a single case of BSE in western Canada. Second, the Government of Saskatchewan entered into the Agricultural Policy Framework (APF) Implementation Agreement in December 2003. As a result, a new financial allocation had to be made to provide for provincial participation in the 2003 Canadian Agricultural Income Stabilization (CAIS) Program.

Details concerning these expenditures are included in the section titled Special Warrant Funding.

Year In Review And Key Risk Factors

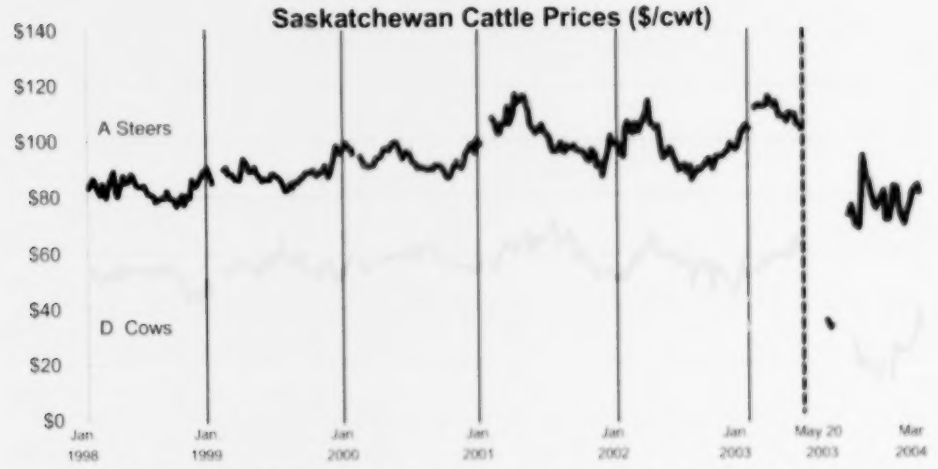
Saskatchewan's agricultural industry continues to be challenged by local and global issues, most of which were beyond the control of farmers. BSE, drought, the appreciation of the Canadian dollar and global agricultural policies combined to make 2003 one of the more difficult years in the history of agriculture in the province. This reality was reinforced by Agriculture and Agri-Food Canada's (AAFC) February 2004 projection of realized net farm income for Saskatchewan, calculated at a negative $465 million for 2003. When improved inventories are taken into account, total net income is forecast to be $407 million.

BSE Impact:

Immediately following the May 20, 2003 announcement that a case of BSE had been discovered in Alberta, major export markets for cattle and beef closed. Cattle prices responded without delay, experiencing significant declines. This, in combination with much lower market volumes, dramatically cut overall cash receipts generated by the various components of the sector.

Feedlot operators with animals ready for slaughter were quickly affected. They experienced significantly reduced demand for their animals and significantly lower prices for those they could sell. With reduced feedlot throughput and demand, cow/calf producers in turn were negatively affected when marketing steers and heifers. Markets for their cull cows essentially disappeared. The entire Canadian cattle sector was thrown into turmoil.

Although government support programs and a partial opening of the U.S. market to Canadian beef exports later brought some degree of stability to the marketplace, overall cattle prices and marketings for 2003 were down significantly, as indicated by the following graph and tables.



The break in the graph represents the discovery of BSE in western Canada
Source: SAFRR

The impact of lower marketings and prices was directly reflected in estimates of farm cash receipts for the sector. AAFC's February 2004, forecast indicated the 2003 receipts from cattle and calf sales were down 35 per cent from 2002 levels.

The immediate impact of BSE extended well beyond the primary producer. Trucking companies, auction marts, renderers and the feed processing sector all faced drops in demand for their inputs and services. Layoffs began as these industries went into temporary shut downs and restructuring modes.

Almost all other livestock species were affected by BSE. Sheep, bison, cervid and other ruminants faced similar market closures and price drops. While not affected by a loss of market access, the hog sector faced a different challenge – a short term drop in consumer demand. In the wake of BSE, Canadian consumers rallied in support of the cattle industry and increased their beef consumption. Internationally, this was unprecedented. Up until Canada's experience, beef consumption had fallen dramatically in all other nations after BSE was discovered.

Saskatchewan Cattle Marketings

	2003	2002	1997-2001 Average	Changes in 2003 vs. 2002	Changes in 2003 vs. Average
Heifers	577,320	631,860	502,686	-9%	15%
Cows	96,050	194,690	150,948	-51%	-36%
Heifers and Cows	673,370	826,550	653,634	-19%	3%

Source: SAFRR

Saskatchewan Livestock Prices

	2004 (to March 31)	2003	2002	1998-2002 avg	2003/avg.
A Steers $/cwt	$ 77.16	$ 89.53	$ 97.52	$ 92.96	96%
D1-D2 Cows $/cwt	$ 26.14	$ 41.98	$ 55.10	$ 55.99	75%
100 Index Hogs $/ckg	$ 131.36	$ 126.44	$ 126.62	$ 136.48	93%

Source: SAFRR

In September, 2003, the United States Department of Agriculture (USDA) announced it would allow the resumption of imports from Canada of beef from animals less than 30 months of age. As a result, prices for younger animals initially strengthened. However, as it became apparent the market closure on shipments of live animals from Canada would continue, those prices began to drift lower as 2004 progressed. The modest strengthening in prices for older animals such as cows also started to turn downward toward the end of March. Hog prices have strengthened in 2004 because of higher pork demand worldwide. Some of this increased demand in Asia has been driven by a shift from beef, due to BSE driven import restrictions and a shift from poultry because of the Avian Influenza outbreak.

Crop Production:

While crop production recovered somewhat in Saskatchewan during 2003, the total output was six per cent below the five-year (1998-2002) average. Insufficient moisture in many areas, compounded by prolonged high temperatures in July and August lowered yields to below average levels. These conditions also were ideal for grasshopper hatching and development, resulting in extensive grasshopper infestations. Wind, hail, frost and localized flooding in some areas of the province also negatively affected yields.

Although crop production in 2003 was slightly below average, it was a significant improvement over the previous year. In 2002, total output was slightly below 15 million tonnes. In 2003 the crop rebounded to approximately 22 million tonnes, representing a 46 per cent improvement. In addition, the hot and dry harvest period ensured above average grain quality. An estimated 84 per cent of the spring wheat crop was expected to grade Number 1 Canada Western, compared to the 10-year average of 52 per cent.

Saskatchewan Crop Production

(thousands of tonnes)

	2003	2002	1998-2002 Average	2003/Average
Spring Wheat	7,077	4,442	7,653	93%
Durum	3,211	2,939	3,658	88%
Barley	4,355	2,726	4,147	105%
Canola	2,676	1,656	2,877	93%
Peas	1,470	964	1,528	96%
All Crops	21,809	14,944	23,203	94%

Source: Statistics Canada

Grain, Oilseed and Pulse Prices:

The 2003 recovery in crop production in western Canada extended to several major export competitors and importers. This contributed to a decline in expected 2003-04 crop prices from the highs of the previous year. Most forecast full crop year prices were also expected to fall below the previous five-year average.

Several factors beyond domestic and world supply and demand have also negatively affected commodity prices and producer returns in 2003-04. A notable factor is the U.S.-imposed antidumping and countervailing duties of 14.15 per cent on Canadian Hard Red Spring Wheat. Although the Canadian government has appealed this action by the U.S. to the World Trade Organization (WTO), the duties will remain in place until the matter is successfully resolved.

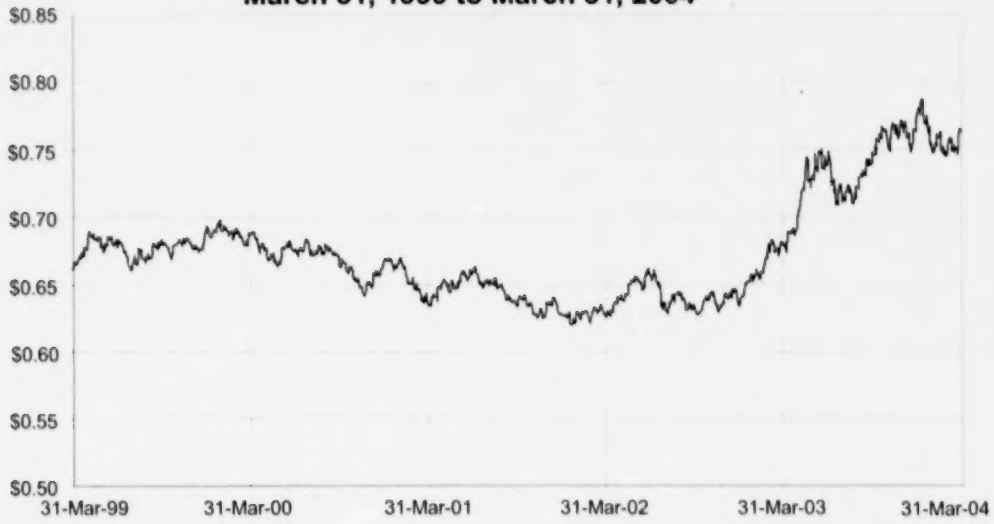
A significant rise in oceanic freight rates has also adversely affected producer returns. A booming economy in China is driving much greater imports of a range of commodities, and is pressuring the supply of bulk carriers. Vessel operators have responded by increasing transportation costs for all commodities, including grains. As a result, grain importers have reduced demand or sought to purchase grain at lower prices to offset these increased costs. The booming Chinese economy did produce one benefit – the strong demand for oilseed products has led to higher canola prices for producers.

Crop Prices
($/tonne)

Crop	2003/04* Crop Year Estimate	2002/03 Crop Year Estimate	1998/99 2002/03 5-Year Average	2003/04 as a % of average
Wheat (#1)	$ 168	$ 214	$ 177	95%
Durum (#1)	$ 170	$ 234	$ 187	91%
Barley (malt)	$ 141	$ 193	$ 153	92%
Barley (feed)	$ 107	$ 150	$ 109	98%
Canola	$ 371	$ 388	$ 308	120%
Peas	$ 210	$ 290	$ 204	103%

Source: SAFRR
**As of April 30, 2004*

Canada/US Exchange Rate
March 31, 1999 to March 31, 2004



Source: Bank of Canada

Exchange Rate Appreciation:

Another factor that has negatively affected Canadian commodity prices is the rapid appreciation of the value of the Canadian dollar against its U.S. counterpart. Our dollar rose by more than 12 per cent in fiscal year 2003-04, compared to 2002-03.

Most commodities traded internationally are priced in U.S. dollars. As a result, the appreciation of the Canadian dollar (or depreciation of the U.S. dollar compared to our Canadian currency) effectively reduced prices received by Canadian producers (or reduced the price improvements that eventually did occur) for most agricultural exports.

Global Agricultural Policy:

The domestic agricultural policies of many international competitors continue to negatively impact Saskatchewan's agricultural industry and farm income levels. The U.S. Farm Bill, for example, provides unprecedented financial support for American grain, oilseed and cotton producers. Such levels of support are widely known to lead to overproduction, which in turn depresses global prices.

International trade politics also have a disruptive effect. U.S. duties on Canadian spring wheat have been noted. An additional example is the decision by the National Pork Producers Council in the U.S. to petition their government to investigate Canadian live hog exports to determine if they are being unfairly subsidized and/or sold into U.S. markets at prices below the cost of production. Although no action has been taken at this point, uncertainty about the industry's future had an immediate negative impact.

Saskatchewan continues to work with the Federal Government to ensure global trade rules are applied fairly and consistently. We will continue to push for new trade rules through the WTO that reduce or eliminate market distorting subsidies and overly restrictive tariffs.

Farm Income and Expenses:

The drought of 2002 was one of the worst in recent history. In response, the Saskatchewan Crop Insurance Corporation (SCIC) paid out over one billion dollars in insurance claims. The resultant low grain inventories ensured farmers had less grain to market during much of 2003.

The BSE event and exchange rate appreciation also had an impact on market receipts and Realized Net Farm income in 2003. Market receipts from all sources fell by $1.28 billion from 2002 levels. To counter this decline, program payments increased by 60 per cent, rising to $1.6 billion. However, a 7.5 per cent increase in operating expenses during 2003 also contributed to lower farm income. The largest components of this increase came from machinery fuel, which increased 17.4 per cent from 2002 and fertilizer costs, which were 33.5 per cent higher than a year ago.

AAFC Farm Income Forecast – Saskatchewan

($ Millions)	2003	2002	Average (1998-2002)
Crop Receipts	$ 2,768.10	$ 3,625.70	$ 3,706.60
Livestock Receipts	$ 1,303.30	$ 1,726.60	$ 1,524.70
Program Payments	$ 1,611.10	$ 1,003.90	$ 702.30
Total Farm Cash Receipts	$ 5,682.50	$ 6,356.10	$ 5,933.50
Net Operating Expenses	$ 5,184.20	$ 4,821.30	$ 4,541.80
Net Cash Income	$ 498.30	$ 1,534.80	$ 1,391.70
Realized Net Income	**$ -465.30**	**$ 606.70**	**$ 463.60**
Total Net Income (with inventory change)	**$ 407.00**	**$ -30.30**	**$ 338.70**

AAFC February 2004

Key Risk Factors:

The specific challenges that Saskatchewan's agricultural industry experienced in 2003 were both well known and new. However, on an ongoing basis, several key risk factors continuously and directly affect the industry. The appropriate management of these factors by the industry and by SAFRR is essential, if agriculture in Saskatchewan is to be successful in the long-term. In discussions with the Provincial Auditor, the following on-going key risk factors were identified:

- Saskatchewan's competitive ability in world agricultural markets.
- Environmentally sustainable and commercially viable agricultural production and processing industries.
- Reasonable investment opportunities in these industries.
- Adequate diversification of the output from the sector from primary agricultural products to higher value products.

The components of each key risk factor are as follows:

- Saskatchewan's competitive ability in world agricultural markets.
- Saskatchewan's agricultural production and processing industries need to be aware of, and strive to keep pace with, the trends and technological developments affecting them.
- Saskatchewan's agricultural production and processing industries must maintain a good reputation, and be well-known outside the province.

- The department and the agricultural production and processing industries must develop and maintain effective provincial, national and international business links and partnerships.
- The department and the agricultural production and processing industries must actively pursue the province's interests in national and international forums.

Environmentally sustainable and commercially viable agricultural production and processing industries

- Agricultural production should occur in a safe and sustainable environment such that the industries can produce sufficient volumes of quality products.
- The department must provide the oversight, regulation, and programs needed to ensure that food produced in the province is safe.
- There needs to be adequate funding of research and development from the public and private sectors.
- Producers need to have access to adequate financial and personal support systems, and to the tools and resources they need to develop and prosper.
- The department needs to identify stakeholders' needs and develop policies and programs that help to ensure the sustainability and viability of the agricultural production and processing industries.

Reasonable investment opportunities in these industries

- Saskatchewan's agricultural production and processing industries must be able to attract those with the ingenuity, resources and business initiative needed for the agricultural economy to thrive and grow.
- Business risk management programs (e.g., income stabilization programs) must be adequate, and allow producers, businesses and rural communities to respond effectively to changing market conditions.
- The department needs to play an appropriate leadership role in establishing overall agricultural policy and direction that encourages investment and growth in the province's agricultural production and processing industries.

Adequate diversification of the output from the sector from primary agricultural products to higher value products.

- The department needs to help the agricultural production and processing industries identify new business opportunities and work with them to develop strategies to take advantage of those opportunities.
- The department needs to help the agricultural production and processing industries find new ways to produce and market higher value products.
- The department needs to provide some direct financial support and help the agricultural production and processing industries obtain innovative and targeted financing, that encourages diversification and higher value production.

2003-04 Performance Results

The following section provides detailed information on the progress SAFRR has made toward achieving our goals and longer term objectives. The key actions originally presented in our 2003-04 plan are listed below, followed by a report on our actual progress on each. Information on actual results is included for all key actions and performance measures that were published in our 2003-04 performance plan.

Further information on the department's performance measures is available within our 2003-04 Performance Plan, which is available at http://www.agr.gov.sk.ca/DOCS/about_US/department_info/SAF0203annualrpt.pdf.

Goal 1: Prosperous, sustainable, agricultural production and processing industries.

Objective 1: Increased livestock production and diversification to higher value crops.

One of the best opportunities to create jobs and economic growth in Saskatchewan is through further development of the livestock industry, particularly the cattle and hog sectors. Increases in such livestock production have the potential to encourage expansion in our domestic meat processing sector. An increase in the value of production per acre of crop land will also result in a larger rural economy and more employment in rural Saskatchewan. This may be achieved through higher yields, more intensive use of land and the growing of higher value crops.

Steady progress was made toward the objective of increased livestock production and diversification to higher value crops in 2003-04. The number of hogs marketed in the province during the 2003 calendar year increased by 3.5 per cent to 1.96 million animals. Marketings of slaughter steers and heifers rose by three per cent to over 185,000 head. The beef cow herd was more than eight percent larger as of January 1, 2004, although this increase was driven by the export market closure and negative price impact of the BSE discovery, which encouraged producers to retain rather than market their animals. The most significant improvement occurred in the dollar value generated per acre of crop produced. This measure rose by 46 per cent and was driven in large part by the return to more normal crop production from the drought reduced levels of 2002.

To help realize the objective of increased livestock production and diversification to higher value crops, the department identified six key actions. These actions are to:

- Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises;
- Develop and implement strategies to attract new people and investment to the livestock industry;
- Provide livestock and crop development information and services;
- Expand capacity for crop disease and pest surveillance;
- Provide irrigation development and information services; and
- Manage agricultural Crown land and provide additional opportunities for commercial use.

The activity by SAFRR and the results associated with each of these key actions follows:

Proactively identify potential development opportunities and infrastructure requirements and provide project support for new or expanding agricultural enterprises [2003-04 planned result].

- BSE and drought limited the expansion and development of the livestock industry in 2003-04. In spite of these challenges, SAFRR provided technical and business development

information to several groups and individuals moving forward with development projects. At least two feedlot developments with a 20,000-animal capacity are reaching the construction stage and renewed interest in cattle projects is beginning to develop. In addition, one 5,000-sow operation and one 1,200-sow operation opened in the province during the year.

- A number of permits were also issued for construction of smaller units. For the fiscal year, a total of 31 intensive livestock operation (ILOs) approvals were issued, representing $38 million in capital value. In comparison, 57 approvals were granted in 2002-03 representing an estimated $56.8 million in capital construction.
- A statistical review of the various regions of the province was undertaken to identify those regions' economic strengths and weaknesses. A list of existing livestock projects were identified along with untapped development opportunities.
- SAFRR carried out a pilot project with community groups in the process of setting up livestock development projects, which evaluated the provision of services and information regarding the 'business development process.' The department is also engaged in developing an information package on the 'public process' of establishing intensive livestock operations. Its purpose is to set out a process that ensures all stakeholders participate in livestock development in their communities.
- Numerous initiatives were undertaken in the crops sector. The department:
  - Developed submissions necessary to obtain the minor use registration of certain crop protection products that could be effectively used on five different spice crops and one pulse crop;
  - Facilitated research with an industry partner to evaluate the opportunity for fibre flax production in Saskatchewan;
  - Promoted the development of the organic industry through contacts with processors and marketers to determine their needs and development interests. Funding from a variety of federal and provincial agencies and institutions was assembled to establish a Prairie Research Co-ordinator of Organic Agriculture;
  - Published a Tri-Province Potato Manual in conjunction with industry counterparts in Alberta and Manitoba;
  - Implemented a pilot program to address the chronic worker shortage in the vegetable, nursery and fruit industries under the Commonwealth Caribbean and Mexican Agricultural Workers Program; and
  - Provided specialist services to support development and diversification into higher value crops including strawberry crowns for the California market and sour cherries.

Support offered by the department for new and expanding livestock enterprises can be successful only if the regulatory and technical infrastructure is in place. During the 2003-04 fiscal year the department:

- Provided livestock inspection services at 30 auction markets, 23 feedlots, one major packing plant and eight abattoirs. A total of 1,383,241 animals, which were reported on 96,687 manifests, were inspected;
- Documented livestock movement through the issuance of 38,763 permits; and
- A total of 21 new licenses were issued for game farm activity. After licenses not renewed are taken into account, total licensed game farm operators stands at 604. These operations have approximately 45,300 game farm animals (elk, white-tailed deer, mule deer, fallow deer, big horn sheep, caribou and reindeer).

New or expanding agricultural enterprises also benefited from the provincial Livestock and Horticultural Facilities Incentive Program. This program provided an annual rebate of the

Provincial Sales Tax (PST) paid on building materials used in livestock operations, as well as greenhouses, or vegetable and raw fruit storage facilities. The program ended on December 31, 2003. Application activity and refunds paid from the beginning of the fiscal year to the conclusion of the program are as follows:

2003 Activity under the Livestock and Horticultural Facilities Incentive Program

Type of Application	No. of Applications	Total Refunds
Hog	34	$482,893
Cattle	59	81,319
Dairy	16	84,914
Poultry	18	143,006
Bee	7	7,351
Greenhouse	13	32,388
PMU	10	21,632
Other	10	27,500
Total	**167**	**$881,003**

Develop and implement strategies to attract new people and investment to the livestock industry [2003-04 planned result].

- SAFRR staff met with the major players in the hog industry in Manitoba to provide them with an overview of the opportunities in Saskatchewan. These meetings enabled the department to develop an understanding of the barriers potential industry participants perceive in establishing business operations in the province.
- In conjunction with Saskatchewan pork producers, SAFRR participated in Quebec's major pork show L'Expo Conges in Ste-Hyacinthe, to promote the Saskatchewan industry and to recruit workers.
- A description of the Saskatchewan pork industry and the opportunities that exist was prepared and presented to a group of hog producers from Germany, who were interested in establishing operations in the province.
- Department staff continue to lead the Last Cattle Frontier project in conjunction with the Good Spirit REDA, the City of Yorkton and Ducks Unlimited. Staff toured Alberta to promote the financial benefits of relocating livestock operations to eastern Saskatchewan. As a result of these efforts, several young producers have relocated to Saskatchewan.
- SAFRR continued to administer the Livestock Loan Guarantee (LLG) Program, which assists Saskatchewan residents to establish production associations and to borrow funds on the strength of a government guarantee to the lender and the association's assurance fund. The funds are used by associations to purchase feeder and breeder cattle and sheep and feeder bison. Several initiatives under the program were undertaken in 2003-04 including:
  - The provision of guarantees to lenders on loans to individual feedlot operatprs for the purchase of feeder heifers and steers;
  - The extension of loans on cattle and sheep (through amendments to regulations) in response to BSE related market losses; and
  - The development of options to provide guarantees to lenders on loans for feedlot construction and for equity investment in feedlots.

Activity under the Livestock Loan Guarantee (LLG) Program

Program Statistics:	2002-03	2003-04
Number of associations	123	120
Number of members	6,313	5,500
Loan Guarantees (millions)	$26.28	$23.04
Feeder Cattle purchased (head)	104,660	87,022
Value of Feeder Cattle purchased (millions)	$75.1	$68.8
Breeder Cattle purchased (head)	26,404	23,552
Value of Breeder Cattle purchased (millions)	$30.0	$21.3
Feeder Bison purchased (head)	34	84
Value of Feeder Bison purchased	$21,100	$35,300
Breeder Sheep purchased (head)	781	898
Value of Breeder Sheep purchased	$76,045	$102,791

- In response to the severe economic impact triggered by the BSE crisis, several federal-provincial and provincial-only assistance programs were made available to producers in Saskatchewan. These included:

  - **BSE Recovery Program – Slaughter Element**
    The program was introduced to help offset the financial hardship producers experienced because of low market prices. These prices resulted from the severe backlog of market-ready cattle which occurred once the Canada - U.S. border was closed to exports. Payments were provided to producers when they marketed their livestock in the Canadian marketplace at a price below a U.S. reference price, adjusted for exchange and the traditional basis differential. Compensation was paid only on livestock sold for slaughter. Other ruminant producers were also able to access the program. There were 1,519 applicants for the program in Saskatchewan. Payments totalled $29,308,526.

  - **Saskatchewan Set-Aside Program**
    The Set-Aside Program was introduced to respond to the backlog of slaughter animals that developed at packing facilities as producers attempted to access the BSE Recovery Program. Its intent was to provide producers who were unable to get their cattle booked for slaughter with access to program funds. Producers were compensated for withholding slaughter cattle from market for eight weeks during the period the market remained disrupted. There were a total number of 117 applicants who received program payments totalling $4,375,894.

  - **BSE Livestock Loan Guarantee Program**
    The BSE Livestock Loan Guarantee Program was enacted in October 2003. It was designed to provide cash flow assistance to livestock producers affected by continued export market restrictions. Loans were available from financial institutions and were 100 per cent guaranteed by the Government of Saskatchewan. Under the program a total of $35.2 million was disbursed to 2,719 producers. The program was enacted under *The Agricultural Credit Corporation of Saskatchewan Act*. All loans are to be fully repaid by January 31, 2008.

  - **Saskatchewan Fed Livestock Competitive Market Adjustment Program (SFLCMAP)**
    The SFLCMAP was announced in September 2003 due to the continuing border closure to live cattle exports, the backlog of market-ready cattle and continuing low prices. The intent of the program was to help alleviate the effects of the backlog and offset some of the financial hardship experienced by producers when cattle were sold. Other ruminants and cervids were included in the program. Compensation was based on a portion of the difference between the Canadian and U.S. price, capped at $250 per head (for cattle). The 1,555 applicants who applied under this program received payments totalling approximately $11.5 million.

  - **Saskatchewan Cull Animal Program**
    This program provided compensation to producers for the loss in value of mature (cull) animals caused by the continued market disruption. A total of 19,965 applicants applied under the program and are expected to receive an estimated $15 million in payments.

  - **Federal (National) Cull Animal Program**
    The National program also provided compensation to producers for the loss in value of mature animals. Applicants to the provincial program were automatically registered for the federal program. Payments are estimated to be $21 million. Saskatchewan delivered the National Cull Animal Program on behalf of the Federal Government.

Provide livestock and crop development information and services [2003-04 planned result].

- SAFRR staff provided production and economic advice in response to the BSE crisis through a series of seminars and workshops throughout the province. The information was designed to give producers an indication of the costs and management requirements of carrying feeder animals over a longer period of time. The department continues to provide a weekly beef market analysis along with a monthly hog market update.
- Technical production information was provided on new specialized "niche market" crops including hemp, beans, quinoa, timothy and golden flax. In addition, information was disseminated on broader provincial opportunities including fruit production, herb production, agro-forestry and organic production. Extension meetings were resourced on a variety of topics including crop production efficiency, crop processing, organic marketing and soil fertility.
- Specialist services were provided on advanced production techniques including precision farming, applying GPS and GIS software to production technology and assisting producers in integrating advanced technology into traditional farming systems (i.e. establishing optimal variable rate fertilization prescriptions).
- Numerous production fact sheets, newsletters and publications were written or updated after which they were printed for distribution or put on the department's Web site.
- The department also assisted producers in establishing or further developing formal organizations for specific crops. During 2003-04 the department:
  - Organized meetings of canaryseed producers to determine interest in forming a grower association for that crop. Such an association was formed and its first annual meeting was held in March, 2004;
  - Provided support to the Saskatchewan Mustard Growers Association in developing a check-off for the mustard industry and in converting to the Saskatchewan Mustard Development Commission; and
  - Assisted the forage seed industry in its consultation process to develop a check-off for the forage seed industry (other than for alfalfa seed, which already has a check-off program in place).

Expand capacity for crop disease and pest surveillance [2003-04 planned result].

- The Crop Protection Laboratory provides crop diagnostic services for weeds, insects, plant diseases and herbicide resistance. The lab also houses the Late Blight Potato Monitoring Program, the Dutch Elm Disease Hotline and Diagnostic Service and the Bertha Armyworm Monitoring Program. During 2003-04:
  - The lab diagnosed 1,008 submissions. The submissions by category were: weeds, 111; insects, 77; plant diseases, 282; Dutch elm disease, 392; and herbicide resistance screening, 146.
- A provincial weed survey was conducted. This was the first province-wide survey since 1995.
- In 2003, insect surveys were coordinated for wheat stem sawfly, cabbage seedpod weevil, bertha armyworm, grasshopper and wheat midge. These projects included data interpretation and the publication and distribution of survey results. Most surveys are conducted on an annual basis. However, the Bertha armyworm survey results were updated weekly during the growing season.
- The department continued the operation of the Bee Laboratory in Prince Albert to analyze bee samples for infestations of tracheal mites. Approximately 1,400 samples were analyzed for Saskatchewan beekeepers.
- In conjunction with the Saskatchewan Seed Potato Growers Association, SAFRR

continued to operate a Late Blight Monitoring and Forecasting Program.

- Plant disease surveys were coordinated for fusarium wilt of canola and fusarium head blight of cereals. The fusarium head blight survey continues to provide information to producers, industry, government and scientists as to the prevalence and severity of the disease within the province.
- Pocket gopher control measures were published as a result of the Irrigation Crop Diversification Corporation's field demonstrations. In addition, financial support was provided to Saskatchewan-Manitoba pocket gopher research trials to test the efficacy of a pheromone based trapping system.

Provide irrigation development and information services [2003-04 planned result].

- Over 10,500 acres of land were investigated for Irrigation Certification. Over 7,000 acres were investigated for "infill" in Irrigation Districts and approximately 3,500 acres were investigated throughout the province and outside Irrigation Districts.
- The development of new projects in several irrigation areas was supported. An expansion committee was formed to plan additions to the South Saskatchewan River Irrigation District. Established committees were provided with information on new project suitability, feasibility, costs and procedures for development.
- Preliminary mapping of land suitable for irrigation was undertaken during the year. From this activity it is estimated that the Central Saskatchewan Irrigation District (comprised of eight Rural Municipalities) has over one million acres of land where irrigation could be feasibly practiced.

Manage agricultural Crown land and provide additional opportunities for commercial use [2003-04 planned result].

- Each fall, vacant Crown land is advertised for lease. In 2003-04 a total of 206 parcels containing 23,732 acres were allocated to interested lessees.
- Vacant land which is surplus to department needs is offered for sale by tender. During the 2003-04 fiscal year, 38,211 acres of Crown land were sold, resulting in $4.48 million in revenue. Lessees acquired 34,242 acres, almost 90 per cent of the acreage sold.
- First Nations have the opportunity to obtain Crown land under the Treaty Land Entitlement (TLE) process, in cases where third party interests to such land are settled. In 2003-04, 14,769 acres were sold, generating revenue for the province of $1.64 million. Since 1994 over 170,000 acres of Crown land, with a value of over $15 million, has been sold under the TLE process.
- Conservation easements may be utilized as a means to protect native prairie prior to Crown land tender sales. The department works with Saskatchewan Environment biologists on the pre-identification of lands for conservation easements. In 2003-04, 17 parcels of land were sold with a conservation easement.
- The Saskatchewan Pastures Program continued development of shallow water pipelines for watering cattle at several pastures during the year. Approximately 25 kilometres were installed in 2003. This development is part of a multi-year project to provide supplemental water sources and lessen pasture reliance on surface water sources. As a result, a better distribution of cattle occurs, which enables them to more fully utilize available forage resources.
- Selective logging of small pockets of over mature white spruce at the Cookson and Wingard Community Pastures provided an excellent source of saw timber for small operators. The activity also opened up some of these heavily timbered areas for pastures' staff to manage cattle.
- A monitoring and audit program of Crown land has been established to determine the

ecological health of land and to ensure proper use is occurring. The cumulative results of this program will enable measurement of range health over an increasing acreage of Crown land. During 2003-04, 21,405 acres were inspected.

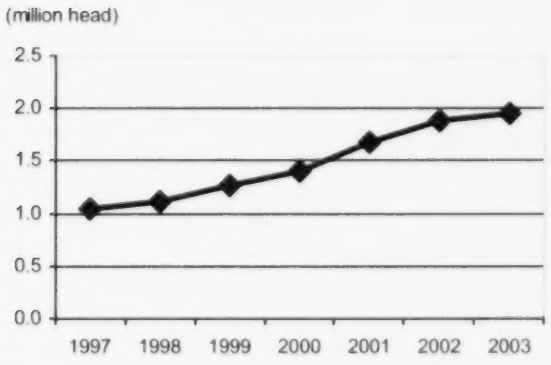
Measurement Results

The 2003-04 Performance Plan indicated that progress toward achieving the objective of increased livestock production and diversification to higher value crops would be measured by growth in Saskatchewan's primary beef and hog production, growth in the cow herd and changes in the dollar value generated per acre of crop produced. The specific measures are:

- *Changes in the number of hogs marketed;*
- *Changes in the number of slaughter steers and heifers marketed;*
- *Growth in the beef cow herd size; and*
- *Value of crop output in dollars per acre.*

The following trend and measurement results for these specific measures follow.

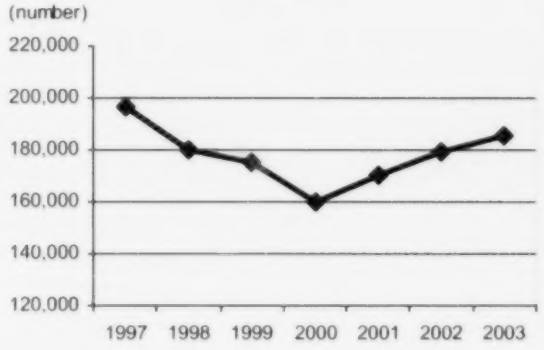
Hogs marketed
(Calendar year)



Source: SAFRR Agricultural Statistics Handbook, SPI Marketing Group, Sask Pork

During 2003, the number of hogs marketed reached 1.96 million animals. This represents an increase of 66,000 over the revised number reported for the previous year and an approximate doubling of marketings since 1997.

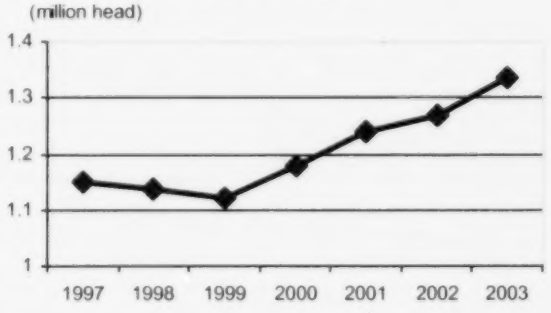
Slaughter steers and heifers marketed
(End of year)



Source: SAFRR Cattle Marketing Report

During 2003, 185,320 slaughter steers and heifers were marketed, an increase of approximately 6,000 over the revised number reported for the previous year and about 25,000 over the recent low which occurred in 2000.

Growth in beef cow herd size
(As of July 1)

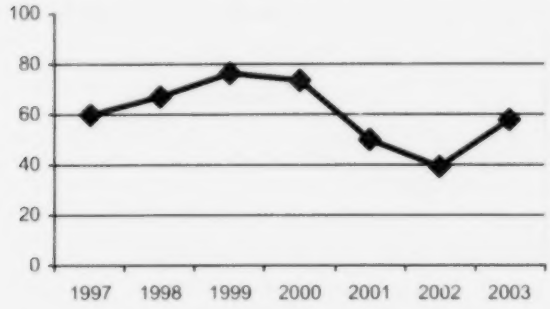


Source: Statistics Canada, in SAFRR Livestock StatFact January 1, 2004 Cattle on Farms

Midway through 2003, the beef cow herd in Saskatchewan was estimated by Statistics Canada at 1.335 million head. This is an increase of 65,000 animals from the revised level of a year earlier and is well above the recent low set in 1999 of 1.12 million. By January 1, 2004, the beef cow herd had expanded further and stood at 1.426 million head.

Value of crop output

($ per acre) (calendar year)



Source: SAFRR internal calculations and Statistics Canada

In 2003, the value of crop output per acre, as calculated by SAFRR, was $57.72 per acre, an $18 per acre increase from the revised value for the previous year, which had declined significantly due to severe drought. The value of crop output has not yet recovered to the level experienced in 1999 and 2000.

Objective 2 – Increased total value of goods and services produced by the agriculture and food sector

Development of the primary agricultural sector and further processing of this primary production is necessary to expand the contribution in economic output and employment that may be made to the provincial economy. Increased processing, particularly outside urban centers, will directly enhance the rural economy and help keep smaller communities viable.

SAFRR achieved significant progress toward achieving this objective, in part due to the recovery in crop output that occurred in 2003. Primary agriculture Gross Domestic Product (GDP) plus agri-value (food, beverage and feed processing) contribution to the provincial GDP was $2,842 million, an increase of 30 per cent from a revised estimate for 2002 of $2,179 million.

To help realize the objective of increased total value of goods and services produced by the agriculture and food sector, the department identified five key actions.

Key Actions for 2003-04:

- Finalize and approve implementation models (that will include activity plans and reporting mechanisms to coordinate responsibilities of all branches) to build the value chain for the beef, pork, flax, pulse and organic industries.
- Implement targeted investment attraction strategies to increase processing activity.
- Deliver the Agricultural New Generation Co-operatives (ANGen) Program to allow farmers to participate further up in the value chain.
- Invest in and manage research and development to support the department's priority areas (as noted in the first bullet) and to create opportunities for the agriculture and food sector.
- Provide an effective tax and regulatory environment for sector development (including the review of identified legislation and regulations to eliminate obsolete or unnecessary regulation and by facilitating updating of *The Agricultural Implements Act*).

The activity by SAFRR and the results associated with each of these key actions follows.

Finalize and approve implementation models (that will include activity plans and reporting mechanisms to coordinate responsibilities of all branches) to build the value chain for the beef, pork, flax, pulse and organic industries [2003-04 planned result].

- Industry strategies and implementation models have been developed for some commodities and sectors in the designated group. The development of models and strategies continues for remaining sectors. Simultaneously, components of these value chains are being established and pursued. The following specific results identify the full range

of activity within the department that occurred in respect to this key action in 2003-04:

- A number of meat processing initiatives have moved forward during the year. The department provided facilitation services and information to Natural Valley Project Inc., which is in the process of setting up a kill plant and beef manufacturing facility in the Wolseley-Neudorf area. SAFRR continued to have discussions with other meat processors that could make future investments in Saskatchewan. The impact of BSE on the marketing of cull cows has also increased interest in examining the potential for cull cow slaughter facilities in the province.
- An industry strategy incorporating a value-chain model was developed for the bison sector. This included the design of a 3,200 bison feedlot in the northwest.
- Active collaboration with agribusiness companies in establishing a value chain for flax procurement has occurred. This includes the continuation of field processing trials which are examining the potential for flax straw processing. Assistance was also provided towards the establishment of a flaxseed milling operation.
- The identification of pulse processing and marketing issues continues. A key activity was the organization of a provincial pulse processors workshop in Saskatoon in December 2003, which examined future trends, opportunities and grading, licensing, marketing and research issues.
- Assistance was provided to define market opportunities for organic milling oats.
- An initial examination of the market opportunity and economic feasibility of a sunflower processing facility was supported.
- The identification of potential new markets for dehydrated alfalfa industry by-products was assisted.
- Field processing trials continued in respect to canola processing for bio-diesel.

Implement targeted investment attraction strategies to increase processing activity [2003-04 planned result].

- Over the past year, SAFRR welcomed 30 delegations, originating from countries that include The United Kingdom, Ukraine, Japan, Iran, Netherlands, Denmark, Australia, India, China, Spain, Germany, Switzerland, United States, Korea, Czech Republic, Argentina and Bangladesh. Saskatchewan businesses are invited to meet with incoming delegations to maximize exposure to potential markets, investment, partnerships and alliances. In addition, trade development staff from Canadian embassies in Japan, Mexico, Argentina and the Netherlands came to Saskatchewan and met with local businesses.
- Saskatchewan has a coordinator assigned to deal with inquiries and new leads related to locating processing plants or agricultural businesses in Saskatchewan. This position assists in identifying investor needs and working with partners to provide information that will assist in bringing new investment to Saskatchewan, along with its associated benefits.

During the past year, SAFRR also engaged in a number of ongoing activities that are related to and supportive of the key action. These include:

- Research on ethnic markets for processed pulse products was completed and presented to industry to utilize in their marketing and partnership efforts. SAFRR met with several companies identified through this work to encourage them to partner with Saskatchewan companies in order to strengthen market ties.
- Several significant market research and intelligence studies were developed over the past year. These reports were distributed to Saskatchewan industry members in order to allow them to strengthen their marketing plans and reduce costs of market information gathering. Examples of such analysis includes a study identifying food service opportunities in

Saskatchewan and Alberta for beef, pork, bison and lamb; as well as work investigating the potential for beef and pork products in the private label market. SAFRR also completed a marketing study to identify opportunities for selling fresh produce to wholesalers and retailers in western Canada.

Deliver the Agriculture New Generation Co-operatives (ANGen) Program to allow farmers to participate further up in the value chain [2003-04 planned result].

- The Agricultural New Generation Co-operatives (ANGen) Program provides opportunities for farmers to work together to develop businesses for producing value-added products from their primary production. This program provides assistance for setting up a co-operative, feasibility studies, business and marketing plans, preparation of a prospectus and pre-design of facilities. In 2003-04, the program was utilized to assist several producer groups with the market assessment phase of their business plans. Three groups received funding in the amount of $12,322. In comparison, during 2002-03, six groups received funding in the amount of $261,000.

Invest in and manage research and development to support the department's priority areas and to create opportunities for the agriculture and food sector [2003-04 planned result].

- The Saskatchewan Agriculture Development Fund (ADF) and the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF) are the major channels for provincial research funding for agriculture and food research and development in the province. These two funds provided more than $8.5 million to a variety of new and ongoing projects in four specific areas (livestock, crops, environmental stewardship and value-added) and one general area. In addition, during the year, SAFRR also provided almost $3.37 million to fund 10 projects under the ADF – Strategic Research Program with the University of Saskatchewan.
- A breakdown of expenditures under the ADF and AFIF by category is contained in the following table. The 223 ADF projects, consisting of 139 ongoing projects (54 new projects) and 84 completed projects were in the areas of field crops, horticulture, forage crops, plant breeding, plant disease and pest control, animal production, animal welfare, processing, animal disease and pest control, management, marketing and economics.
- AFIF provided almost $1.12 million to 26 projects during the 12-month period ending March 31, 2004. This fund was created to promote and support emerging primary production and value-added processing activities within the province. All original funding has been committed, and the fund continues to operate to manage ongoing contracts.

2003-04	General	Livestock	Crops	Environmental Stewardship (Soils, Air and Water)	Value-Added	Total
ADF	$ 103,000.00	$ 1,861,851.76	$ 3,838,536.99	$ 518,010.84	$ 1,059,978.83	$ 7,381,378.42
# of Projects	7	46	106	23	42	223
AFIF	$ 100,000.00	$ 151,013.09	$ 630,356.32	$ 3,000.00	$ 235,000.00	$ 1,119,369.41
# of Projects	3	7	13	1	2	26
Total $	**$ 203,000.00**	**$ 2,012,864.85**	**$ 4,468,893.31**	**$ 521,010.84**	**$ 1,294,978.83**	**$ 8,500,747.83**
Total # of Projects	**10**	**53**	**119**	**24**	**44**	**249**

To support the economic viability and the expansion of the agricultural industry over the longer term, additional research activity is supported by the department. Specific programming and funding activity include:

- Vaccine and Infectious Disease Organization (VIDO)
  SAFRR provided $300,000 in funding during 2003-04 to support research and development as part of a five-year (2001-06) agreement with VIDO for research in disease control and vaccine production.
- Prairie Swine Centre
  SAFRR provided $250,000 in funding during 2003-04 to support research and development in quality pork production as part of a five-year (2001-06) agreement with the Prairie Swine Centre Inc.
- Saskatchewan Beef Development Fund (BDF)
  The BDF administers the Beef Development Plan. In 2003-04, the BDF provided support of almost $137,000 for 11 research projects related to the beef industry structure, cattle production, nutrition, breeding, disease control and beef processing.
- Horned Cattle Fund (HCF)
  The HCF supports cattle production research and product development and market promotion. In 2003-04, HCF provided support of over $122,000 for nine projects.
- Cattle Marketing Deductions Fund (CMDF)
  The CMDF promotes the growth of the beef sector through research, promotion and market development activities. The fund is self-supporting via a "mandatory-refundable" check-off collected at the time of sale. For 2003-04, the fund collected $1,062,051 in check-offs and earned $123,665 in interest, while $87,379 was rebated to producers. During the year, CMDF provided $817,661 to support 21 projects.
- Prairie Agricultural Machinery Institute (PAMI)
  SAFRR provided core funding of $468,000 for the 2003-04 fiscal year to PAMI to carry out research, development, evaluation and extension activities to improve agricultural machinery, agriculture processing equipment and related electronic equipment.
- Ag-West Biotech
  Ag-West Biotech promotes the development of the agricultural biotechnology sector in Saskatchewan through marketing and information. In 2003-04, SAFRR provided funding in the amount of $900,000 to Ag-West Biotech to assist the continuation of its activities and to assist with ag-biotech research.

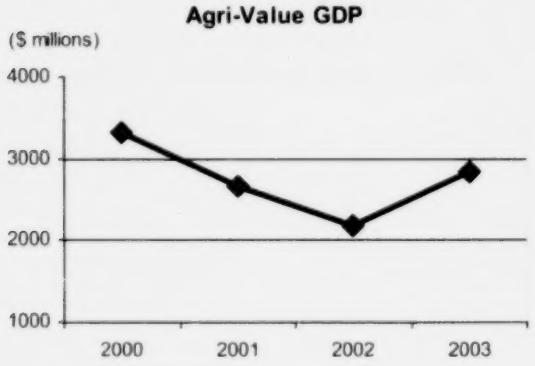
Provide an effective tax and regulatory environment for sector development (including the review of identified legislation and regulations to eliminate obsolete or unnecessary regulation and by facilitating updating of *The Agricultural Implements Act*) [2003-04 planned result].

- SAFRR is in the process of identifying barriers to livestock development in the province, and is putting together a document which prioritizes those issues that need to be emphasized. Meetings with producers in the province, as well as potential developers in Manitoba and Alberta, are the starting point of this examination.
- Branch staff assisted rural municipalities (RMs) in understanding the implications of adopting the municipal livestock development by-laws template. This initiative assists RM councils to better address the issues of land use, public process and decision making. The template was developed with the Saskatchewan Association of Rural Municipalities, Saskatchewan Agrivision Corporation and the Department of Government Relations and Aboriginal Affairs.
- In the spring of 2003, amendments were passed updating *The Agricultural Implements Act*. The Act now provides a modern framework for the agricultural implements industry in the province. Amendments improved protection for farmers and streamlined requirements for dealers and manufacturers.

Measurement Results

The 2003-04 performance plan indicated progress would be measured toward achieving the objective of increased total value of goods and services produced by the agriculture and food sector. This is measured by changes to primary agriculture and agri-value GDP, as calculated by Statistics Canada. The specific measure is:

- *Primary agriculture GDP plus agri-value (food processing, feed processing) GDP.*



Source: Statistics Canada

In 2003, primary agriculture GDP and agri-value GDP for 2000 increased to $2,842 million, a 30 per cent increase over the drought reduced result of the previous year.

Objective 3 – Enhanced environmental stewardship

It is economically important to utilize progressive farming and processing practices in an environmentally sound manner that maintains our soil and water resources and protects the environment.

SAFRR achieved significant progress toward achieving this objective in 2003-04. A further reduction in summerfallow area was achieved, with the percentage of total cultivated land under this practice falling to 15.5 per cent in 2003, down from 17.7 per cent in the previous year. Marginal land continues to be converted to permanent cover. The preparation of a Saskatchewan environmental farm plan workbook is near completion and plans are underway to introduce this initiative to the farm community.

To help realize the objective of enhanced environmental stewardship, the department identified four key actions. These actions are to:

- Develop an environmental farm plan workbook and implement the environmental farm planning initiative;
- Provide environmental assessments for intensive livestock operations;
- Pursue options to increase the conversion of marginal cropland into permanent cover; and
- Regulate the application of pesticide products by the agriculture industry.

The activity by SAFRR and the results associated with each of these key actions follows.

Develop an environmental farm plan workbook and implement the environmental farm planning initiative [2003-04 planned result].

- SAFRR supplied a full time person to work on the development of the information in the workbook, in co-operation with the Provincial Council of ADD Boards. This initiative was advanced through the Canadian Adaptation and Rural Development Program in Saskatchewan (CARDS) and is now complete. It will assist producers to identify potential environmental risks and to identify actions to reduce these risks.
- The implementation of the environmental farm planning initiative via third party delivery is expected to proceed in 2004-05.

Provide environmental assessments for intensive livestock operations [2003-04 planned result].

- A total of 31 approvals for intensive livestock operations were issued under *The*

Agricultural Operations Act. In addition, eight inquiries from other government agencies about intensive livestock operations (location and size) were received and handled. Furthermore, 21 re-inspections were completed with the previous approvals re-affirmed. These re-inspections are conducted to confirm that compliance and protection of water is occurring.

- The department participated and cooperated with Saskatchewan Environment and a hog operation in the province on the implementation of a passive air quality monitoring program.
- Water quality monitoring was completed in four areas adjacent to manure spreading and on seven individual intensive livestock operations. A report on water quality monitoring will be completed early in the fiscal year 2004-05.
- A total of 15 complaints in respect to water pollution concerns were investigated.

Pursue options to increase the conversion of marginal cropland into permanent cover [2003-04 planned result].

- The Conservation Cover Program (CCP) was introduced in 2001-02 to encourage producers to convert land from annual crop production to perennial cover. The final year of the program was 2003-04. For the year, the program had 4,016 eligible applicants who received payments on over 195,680 eligible acres. Applicants also seeded an additional 63,946 acres to perennial cover, over and above the acres for which the grant was paid. During 2002-03, the program encouraged the conversion of 301,854 eligible acres. An additional 104,010 acres were converted without a payment of the program grant.
- With the conclusion of the provincial CCP, department efforts to advance the conversion of marginal land in Saskatchewan have been directed through the land conversion component of the federal Greencover Program, which is a program under the Agricultural Policy Framework. In addition, staff members have prepared proposals in respect to the technical assistance component of this program and have assisted with introductory meetings and planning project applications.

Regulate the application of pesticide products by the agriculture industry [2003-04 planned result].

- *The Pest Control Products (Sask.) Act* and regulations provides for pesticide applicator, service and vendor licensing. There are currently 14 license classes that reflect the types of pesticide application being conducted. An applicant for any license must pass a pesticide applicator course offered by the Agriculture Division of the Saskatchewan Institute of Applied Science and Technology (SIAST).

  As provided for under the Act, the department issued 1,801 pesticide applicator, 647 service, 427 vendor and one private farmer licenses during the year. This compares to 1,893 pesticide applicator, 501 service and 444 vendor licenses that were issued in 2002-03.
- The Pesticide Investigator of SAFRR's pesticide unit handled 60 complaints related to the improper use of pesticides. The pesticide unit completed inspection of 30 vendors during the year.
- Working with stakeholders, SAFRR is in the process of developing a pesticide sales database system.

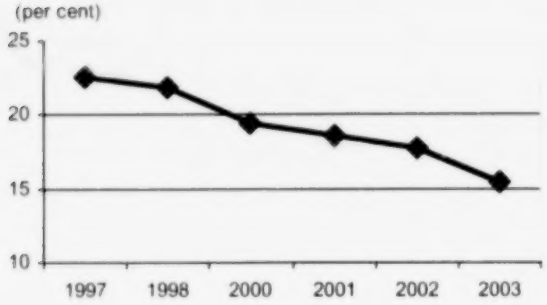
Measurement Results

The 2003-04 performance plan indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by changes in the practice of summerfallow. This information is gathered by Statistics Canada on an annual basis. The specific measure is:

- *Summerfallow as a percentage of total cultivated land.*

The following trend and measurement result for this specific measure, as reported by Statistics Canada, follows.

Summerfallow area as a percentage of land available for annual crop production



Source: Statistics Canada

During 2003, summerfallow acreage as a percentage of total land available for annual crop production fell to 15.5 per cent, down from 17.7 per cent reported in 2002.

Objective 4 – Improved food safety and quality systems

Consumers throughout the world are increasingly demanding that high safety standards be observed in the production of the food that they buy. Saskatchewan producers and processors must respond to that demand to compete in the global marketplace.

SAFRR made significant progress toward achieving this objective in 2003-04, as indicated in the following report on key actions. However, specific performance measures for this area were not developed for the 2003-04 plan. This work has now been completed and performance measures for this objective were incorporated in the 2004-05 Performance Plan. The department will undertake to report on these measures in the 2004-05 Annual Report.

To help realize the objective of improved food safety standards, the department identified two key actions. These actions are to:

- Refine and improve the food safety strategy for Saskatchewan's food processing sector; and
- Assist industry in implementing on-farm food safety programs.

The activity by SAFRR and the results associated with each of these key actions follows.

Refine and improve the food safety strategy for Saskatchewan's food processing sector [2003-04 planned result].

- To deliver on this key action, SAFRR has focused on providing timely, cost effective food safety and quality assurance programming and expertise that contributes to the growth in the agri-food industry. A major initiative was the official opening of the quality assurance and product development laboratories at the Food Centre. In total, 30 companies with over 400 participants attended training programs supported by SAFRR staff at the Centre.
- SAFRR continued its efforts in respect to advisory and training services for companies in the areas of food safety and quality assurance programs. During 2003-04:
  - Safe Quality Food (SQF) Awareness Training presentations were made to seven industry participants from four companies who were interested in learning more about this program.
  - Training in FoodSTEPS - Processing Foods Safely continued. This course has become well-known nationally as a successful safe food handling teaching tool for the food industry.
  - Draft Hazard Analysis Critical Control Point (HACCP) plans were developed for Food Centre clients and written programs were enhanced to support Food Centre's HACCP system.
  - Twelve food safety pre-audits were completed at processing facilities.

The discovery of BSE in an Alberta cow reinforced the importance of food safety programming and heightened public interest in the actions taken to ensure their well-being. During 2003-04, significant resources were devoted by SAFRR to responding to these concerns. Regular communication was an integral part of this response. At the provincial level, a Minister's Advisory Committee on BSE was established and supported. At the national level, SAFRR participated in a variety of meetings, which in the context of food safety included discussions on the removal of specified risk materials (animal parts that are believed to include the agent that causes BSE) from the food and feed chains.

Assist industry in implementing on-farm food safety (OFFS) programs [2003-04 planned result].

- An on-farm food safety specialist provides expertise and develops programming oversight for on-farm food safety programs for 15-20 commodity areas. Activities include participation on the Canadian Quality Management (CQM) technical team to design programming which has received technical recognition from the Canadian Food Inspection Agency. Direct participation occurred in OFFS technical reviews that were led by the Canadian Pork Council, the Canadian sheep industry and the Dairy Farmers of Canada.
- Involvement continued in the Beef Quality Starts Here working group (cow-calf operations) with a focus on Canadian OFFS efforts and potential delivery mechanisms. Improvements to the beef OFFS delivery program were examined and a Saskatchewan feedlot received assistance in preparing for potential accreditation.
- A multi-commodity steering committee to support On-Farm Food Safety (OFFS) initiatives has been established in Saskatchewan, as an extension of national activities undertaken by Canadian OFFS farm leaders and the COFFS working group. The Saskatchewan committee has been established to assist in the examination of issues which arise in implementing this initiative. Activities include the examination of a common biosecurity document for use by OFFS auditors and the examination of a potential certification system which is ISO-auditable.

Other department activities also support this key action:

- The Provincial Dairy Laboratory provides milk quality analysis for producer raw milk samples and processor finished product samples. The lab supports the efforts of the provincial dairy specialist who administers and enforces *The Dairy Producers Regulations, 1995*. Under the regulations, a system of concurrent infractions and penalty system is maintained in order to assess monetary penalties for infractions.
- Enhanced BSE and Scrapie surveillance continued to be performed through Prairie Diagnostic Services (PDS), the veterinary diagnostic laboratory in Saskatchewan. All heads of cattle over 24 months and sheep over 12 months that were sent to PDS were tested using Immunohistochemistry. The department continued to collect the Saskatchewan data for national statistics on the number of animals examined for Transmissible Spongiform Encephalopathies, which includes Chronic Wasting Disease (CWD), BSE and Scrapie. These statistics are necessary to assure our trading partners that adequate surveillance is present for these diseases, particularly BSE.

Measurement Results

Performance measures will be in place for 2004-05.

Objective 5 – Effective safety net programs and risk management tools

Income from agricultural production is subject to both price and production risk and may be quite variable from year to year. Effective safety net programs and risk management tools are essential if producers are to deal with these risks and achieve the full economic potential of the sector.

Key Actions for 2003-04:

- Provide input into the design of and funding for federal-provincial business risk management programming provided in the province;
- Improve crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards; and
- Deliver the Short-Term Hog Loan program to help Saskatchewan pork producers hit by low prices and high feed costs.

The activity by SAFRR and the results associated with each of these key actions follows.

Provide input into the design of and funding for federal-provincial business risk management programming provided in the province [2003-04 planned result].

- On December 22, 2003, Saskatchewan signed the Canada-Saskatchewan Implementation Agreement (IA) which set parameters for the risk management and other programming initiatives that are offered under the APF. Saskatchewan did so to ensure farmers in this province have access to the comprehensive national programming provided for under the APF.
- Prior to signing the IA, the province took part in extensive federal/provincial discussions to seek improvements to the proposed risk management programming. Throughout these discussions, SAFRR staff conducted analysis on the impact the various business risk management proposals would have on producers in Saskatchewan. The results of this analysis were presented to the provincial Farm Support Review Committee (FSRC) and a group of farm leaders from the major farm organizations in the province. These groups played an integral role in advising the Minister of Agriculture, Food and Rural Revitalization on Saskatchewan's participation in the APF and in designing improved business risk management programs.
- As a result of the APF, business risk management programming in Canada will move to a national two program set consisting of Production Insurance and a new Canadian Agricultural Income Stabilization (CAIS) program.

Although the CAIS program now is in place to provide support for producers' 2003 stabilization (tax) year, producers who had experienced severe declines in income during the 2002 tax year were utilizing the Canadian Farm Income Program (CFIP). The deadline to make an application under this program was October 15, 2003.

For the 2002 claim year, the CFIP Administration received applications from 15,852 Saskatchewan producers, up from 13,594 for the previous year. As of March 31, 2004, 15,679 claims had been processed, representing 99 per cent of claims received from Saskatchewan for the year. Of the claims processed, 64 per cent (9,996) were eligible for payments (versus 52 per cent of 2001 CFIP claims and 44 per cent of 2000 CFIP claims).

As of March 31, 2004, producers with claims eligible for payment had received an average of $14,636. This represented 70 per cent of the payment amounts eligible claims had qualified for due to interim payment pro-rating. Total payments to Saskatchewan producers for the

2002 claim year as of March 31, 2004, were $146.3 million. For the 2001 claim year, total payments were $130 million. For the 2000 claim year, total payments were $109 million.

Improve crop insurance programs which grains and livestock producers may use to offset production failures and other natural hazards [2003-04 planned result].

- For the 2003-04 crop year, the Crop Insurance program provided production insurance on 36 different crops and crop classes, as well as a variety of forages. Nearly 34,000 customers insured 25.9 million acres of annual cropland and nearly 800,000 forage acres under the yield-loss programs. Weather-based insurance products accounted for an additional 3.2 million acres. The Crop Insurance program insured 74 per cent of all land seeded in Saskatchewan in 2003, the same percentage as the previous year.
- Several enhancements were made to the program for 2003:
  - The Forage Rainfall Insurance (FRI) Program and the Annual Crop Weather Based Insurance (ACWB) Pilot Program were expanded. Additional eligible weather stations were added under the FRI and coverage levels were established by soil zone to better reflect forage productivity. The ACWB Pilot Program provided two insurance options: a $10/acre top-up to existing coverage and a $70/acre stand-alone coverage in designated pilot areas. Payments under this program also were triggered in the event of an early fall frost.
  - The Organic Crop option implemented updates to organic prices to better reflect market returns. An Organic Reseeding Benefit was introduced for certified acres that needed to be worked under and reseeded due to excessive weeds.
  - The maximum number of acres that could be insured under the Diversification Option increased from 20 to 30 per cent of the total acres insured under the regular program. This option provides coverage on crops not listed under the regular multi-peril or New Crops insurance programs.
  - Reflecting the improvements in farm technologies and practices, the Crop Insurance program updated the productive relationship between summerfallow and stubble cropping and replaced old area average yields with current long-term area average yields. This resulted in an overall increase in coverage of five per cent, although impacts varied by producer.
  - A Low Price Option (LPO) was introduced which provided customers with coverage at a reduced cost.
  - The insurable areas for the Dryland Dry Bean pilot program were expanded and improved production guarantees were offered.
  - An improved, "blended" price for field peas was introduced, increasing the dollar per acre coverage.
  - Separate establishment coverage, yield-loss coverage or both was offered to producers of biennial sweetclover.
  - Customers were provided with secure access to their personal contract information online, through the CropConnect service.
- Producers received the same cost-sharing arrangement for 2003 as 2002. Their share of total premium costs remained at 37 per cent, with the federal and provincial governments sharing the remaining premium and paying all administration costs on a 60/40 basis.

2003 was another difficult year for the Crop Insurance program. Extended hot, dry weather and grasshopper infestations, as well as other natural perils, resulted in 53,000 inspections and approximately $345 million in claims paid. The year produced the fifth highest payout in the program's history, behind the $1.1 billion payout of 2002 and claims from droughts during the 1980s.

More detailed program and statistical information can be found in the 2003-04 Saskatchewan Crop Insurance Corporation Annual Report at http://www.saskcropinsurance.com.

Deliver the Short-Term Hog Loan (STHL) program to help Saskatchewan pork producers hit by low prices and high feed costs [2003-04 planned result].

- This program was introduced in November 2002 in response to the high feed prices and depressed market prices that hog producers were experiencing. The program was similar to the one first implemented in 1998. Under the earlier program about $111,000 of the $11.4 million initially advanced remained outstanding at March 31, 2004.

The program disbursed a total of $14.6 million based on 51,716 weanlings and 785,030 hogs to 126 producers. Repayment on weanling loans commenced August 2003 and needs to be completed by July 2006. Repayment on hog loans commences on May 2004 and needs to be completed by April 2007.

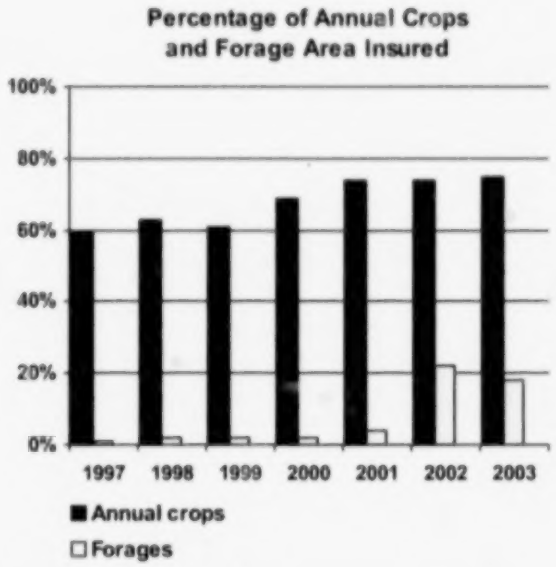
As of March 31, 2004, the amounts outstanding under the STHL program were as follows:

Weanling Loans	25 loans	$ 448,595
Mature Hog Loans	101 loans	$ 14,792,803
Total	126 loans	$ 15,241,398

Measurement Results

The 2003-04 performance plan indicated that progress toward achieving the objective of effective safety net programs and risk management tools would be measured by tracking participation in the Crop Insurance Program. The specific measure is:

- *Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage.*



Source: Saskatchewan Crop Insurance Corporation

During 2003, 74 per cent of all annual crop acreage was insured, compared to 74 per cent in 2002. Insurance on forages was provided on 18 per cent of total acres, compared to 22 per cent in the previous year.

Goal 2 – Strong, resourceful rural people, families and communities

Objective 1 - Rural people and families with better tools and resources to plan for their future

Saskatchewan's people are our most important resource in the development of the agriculture and food industry. They must have the tools they need to make decisions regarding their individual operations to achieve that development – whether they are considering diversification and/or expansion of their operations, or exploring off farm opportunities.

SAFRR achieved some progress toward achieving this objective in 2002-03. During the past year there were 482 program inquiries to the Farm Family Opportunities Initiative. From these, there have been 215 applicants

approved for training or diversification assistance, totalling $1,322,166.

To help realize the objective of rural people and families with better tools and resources to plan for their future, the department identified four key actions. These actions are:

- Provide a Farm Family Opportunities Initiative program which proactively identifies and provides support for on-farm diversification, off-farm business and off-farm employment opportunities;
- Provide extension services, including specialist and technical expertise;
- Ensure that farmers (who are either working their way out of financial stress or are expanding their enterprises to capture new opportunities) have access to financial advice and assistance in developing business plans; and
- Provide information and counselling services to help farm families deal with the stresses of their industry.

The activity by SAFRR and the results associated with each of these key actions follows.

Provide a Farm Family Opportunities Initiative program which proactively identifies and provides support for on-farm diversification, off farm business and off farm employment opportunities [2003-04 planned result].

- The Farm Family Opportunities Initiative (FFOI) was introduced as a new program in the provincial budget on March 27, 2002. The program was targeted at farm families with average incomes over the last three years of below $30,000 (from all sources) and a present net worth of less than $400,000. The maximum support per family was $7,500.
  Direct financial assistance was provided for diversification and training/skills enhancement.
- During 2003-04, the FFOI approved grants of $1,322,166 for 215 clients, including $356,930 for training and $965,236 for diversification.
- The grant component of the program was discontinued at the beginning of the 2004-05 fiscal year.

Provide extension service, including specialist and technical expertise [2003-04 planned result].

- During 2003-04, extension staff:
  - Handled 146,264 telephone and 62,072 office contacts;
  - Made 15,913 field contacts and 2,161 farm calls;
  - Organized and/or resourced over 920 producer events;
  - Dealt with almost 127,900 inquiries for technical information, including over 40,700 on crops and special crops; over 43,700 on forages and livestock; and almost 15,000 on farm management;
  - Participated in 80 television and 480 radio programs and interviews;
  - Created 995 newspaper articles; and
  - Created over 500 newsletters and notices with approximately 530,000 copies distributed.

Ensure that farmers (who are either working their way out of financial stress or are expanding their enterprises to capture new opportunities) have access to financial advice and assistance in developing business plans [2003-04 planned result].

- SAFRR provides a farm business advisory service as part of its FFOI, to assist qualified farm families to analyze the current state of their farm enterprises, their income generating potential and alternatives to supplement/ replace family income. Farm families are assisted in utilizing this information to develop an action plan for enhancing family income from both farm and off-farm sources.
- Additional programming is available under the APF Renewal Chapter. Two programs

are being initiated under this agreement – the Canadian Farm Business Advisory Service and the Canadian Agriculture Skills Service.

The Canadian Farm Business Advisory Service consists of:

- Farm Business Assessment, which includes assistance for five days of consulting support, to undertake a farm financial assessment and develop an action plan to assist in enhancing the profitability of the farm business.
- The Specialized Business Planning Service, which will assist farmers to prepare plans related to diversification, marketing, human resources, expansion, risk management or business succession.
- The Planning and Assessment for Value-Added Enterprises program, which provides assistance for completing feasibility assessments and business plans related to value-added business ventures.

The Canadian Agriculture Skills Service will assist farmers to develop an individual learning plan and will provide financial support to assist qualified applicants to undertake training and skills development.

Provide information and counselling services to help farm families deal with the stresses of their industry [2003-04 planned result].

- The Farm Stress Unit of SAFRR provides confidential peer counselling information, support and referral services in response to the needs of farmers and those involved in agriculture who are experiencing social, emotional, physical safety and/or financial difficulty. These services are provided through the operation of the Farm Stress Line. In addition, SAFRR manages the CONNECTIONS Service Directory and the Inquiry Line. During the 2003 calendar year:
  - The toll free Farm Stress Line received 908 calls, compared to 988 calls in the previous calendar year.
  - The SAFRR Inquiry Line responded to an estimated 7,650 calls in fiscal 2003-04, compared to an estimated 8,200 calls in the prior year. These calls range across the entire spectrum of agricultural issues and information.
  - The Farm Stress Unit continued to distribute "Farming in Difficult Times" kits. These kits contain a wide variety of information that allows farm people to respond to the various challenges that they are facing, such as the human dimensions of agriculture and farm financial matters.
  - Through presentations and workshops, the unit reached 1,190 farm and rural people, compared to 1,311 in the previous fiscal year.

Financial issues were addressed in 33 per cent of calls to the Farm Stress Line. This includes discussions on insolvency, collection actions and bankruptcy. Transition issues (exiting the farm, retirement and pursuing educational opportunities) were the subject of 4 per cent of the calls. This is down slightly from the previous calendar year. Farmers inquiring about or expressing views on farm support programs accounted for 5 per cent of calls. Callers also raised stress related concerns (11 per cent), as well as a wide range of personal, relationship (marital) and family issues.

The CONNECTIONS Service Directory, a directory of business and human services, is a component of the Farm Stress Line. The service directory continues to be used by the Aboriginal Services Kiosk (ASK Directory), as one of their primary sources of information for updating their database directory.

Measurement Results

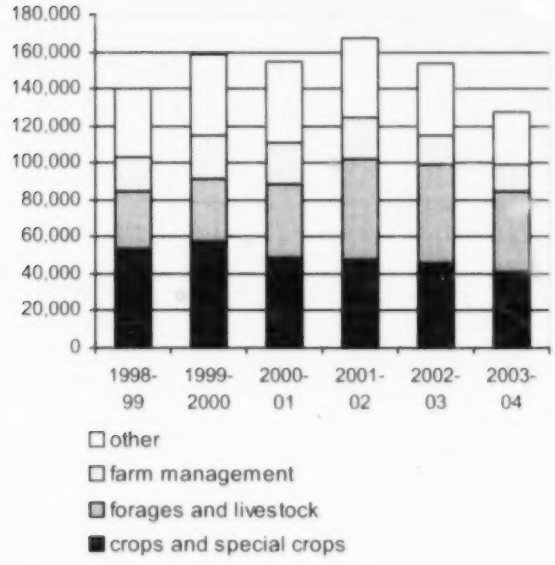
The 2003-04 Performance Plan indicated that progress toward achieving the objective of agricultural people and families with better tools and resources to plan for their future would be measured by the number of inquiries

for technical information and the number of FFOI clients. The specific measures are:

- *Number of inquiries to SAFRR for agronomic information and project/business support; and*
- *Number of Farm Family Opportunities Initiative clients.*

The following trend and measurement results for these specific measures follow.

Inquiries for Technical Information



In 2003-04, SAFRR handled almost 127,900 inquiries for technical information, including over 40,700 on crops and special crops; over 43,700 on forages and livestock; and almost 15,000 on farm management. This is down from almost 148,500 inquiries in 2002-03 when producers were dealing with the impact of drought.

During 2003-04 the FFOI received 482 inquiries and approved grants to 215 clients, worth $1,322,166, including $356,930 for training and $965,236 for diversification. In the previous fiscal year grants were approved to 223 clients for $1,255,162 in assistance. Training accounted for $324,521, while the amount for diversification was $930,641.

Objective 2 – Effective partnerships focused on revitalizing the rural economy

The revitalization of the rural economy necessitates an effective combination of economic policy, public investment and attention to the health, social and economic well-being of rural residents. The achievement of these will require effective partnerships between and within rural communities, industry and government.

Key Actions for 2003-04:

- Implement a significant majority of the initiatives identified in the Rural Strategy for 2003.
- Develop and implement interdepartmental mechanisms (rural issues check list and internal policy review processes) to evaluate potential rural impacts of government policy, also referred to as a "rural lens".
- Facilitate and coordinate efforts by the Action Committee on the Rural Economy to promote dialogue and to identify new opportunities for rural development.
- Establish working relationships with stakeholders to create additional opportunities for rural Saskatchewan.

The activity by SAFRR and the results associated with each of these key actions follows.

Implement a significant majority of the initiatives identified in the Rural Strategy for 2003 [2003-04 planned result].

- Significant progress has been made to completing nine of the initiatives identified in the Rural Strategy during the year. An additional six initiatives continue to be works in progress. The implementation of one initiative has been discontinued.
- In 2003-04, the province expanded the mandate of ACRE and extended its activity for a further year. The committee has been

tasked with providing feedback on the Rural Strategy, monitoring delivery of the Strategy, engaging rural Saskatchewan in an ongoing dialogue, re-examining the rural economy and recommending new actions by early 2005.

- In its expanded role ACRE has identified several important areas where additional work was required and has established four new subcommittees to undertake that work. These subcommittees will provide recommendations to government in the areas of rural infrastructure, rural employment, rural business development and Crown land.

Develop and implement interdepartmental mechanisms (rural issues check list and internal policy review processes) to evaluate potential rural impacts of government policy, also referred to as a "rural lens" [2003-04 planned result].

- During the fiscal year, the Rural Issues Office of SAFRR led an interdepartmental working group (under the overall direction of an interdepartmental steering committee) to identify, analyze and respond to rural issues across government. The working group has initiated several projects to ensure that momentum is maintained. The interdepartmental mechanisms under development include both the Rural Lens project and the Accountability Framework for the Rural Strategy.
- A monthly Rural Issues Newsletter was prepared and distributed, to inform policy makers across government, SAFRR staff and others on important and interesting rural issues, developments, ideas and events.

Facilitate and coordinate efforts by the Action Committee on the Rural Economy to promote dialogue and to identify new opportunities for rural development [2003-04 planned result].

- During 2003-04 SAFRR's interaction with ACRE included:
  - Provision of logistical and administrative support including support for ACRE sub-committees;
  - Support in delivering four half-day Rural Opportunities Conferences across the province; and
  - Assistance on the publication of the ACRE report on Supplementary Recommendations.

Establish working relationships with stakeholders to create additional opportunities for rural Saskatchewan [2003-04 planned result].

- During 2003-04, the Rural Issues Office of SAFRR:
  - Worked with stakeholders and rural residents on specific issues and initiatives to further economic development and the quality of life in rural Saskatchewan.
  - Researched a number of issues important to rural Saskatchewan including economic clusters; immigration; approaches taken by rural offices in other jurisdictions; increasing population through regional planning; and the relevance of Ireland's rapid economic development to Saskatchewan's situation.
  - Assisted the Saskatchewan Council for Community Development (SCCD) in developing leadership programming for Aboriginal people.

Measurement Results

Measures of performance remain under development. During 2003-04, the Rural Issues Office of SAFRR began development of an accountability framework for the Rural Strategy as a way of measuring progress towards meeting goals and objectives outlined in that strategic plan.

2003-04 Financial Results

Schedule of Revenue and Expenditures

	2003-04 Estimates $000s	2003-04 Actuals $000s	Variances over (under) $000s	Notes
Revenue				
Land Revenue:				
Crown Land Sales	$ 3,500	3,117	(383)	1
Rent and Penalty on Land Leases	24,325	25,510	1,185	2
Interest	250	315	65	3
Royalties on Sand and Gravel	15	11	(4)	
Transfers from Federal Government	15,000	15,292	292	4
Transfers from Other Funds	–	–	–	
Privileges, Licences and Permits	538	587	49	5
Sales, Services and Service Fees	200	214	14	
Other Interest Revenue	810	661	(149)	6
Other Revenue	20	300	280	7
Refund of Previous Year Expenditures	135	786	651	8
Total Revenue	$ 44,793	46,793	2,000	
Expenditure				
Administration	$ 2,170	2,446	276	9
Accommodation and Central Services	$ 3,894	5,268	1,374	10
Industry Assistance	$ 4,180	4,215	35	11
Land Management				
Land Management Services	$ 3,086	2,854	(232)	12
Losses on Sale of Land	200	246	46	13
Land Revenue Bad Debt Allowances	500	194	(306)	14
Pastures Revolving Fund				
Net Financing Requirement (Recovery)	–	399	399	15
Subtotal	$ 3,786	3,693	(93)	
Inspection and Regulatory Management				
Program Operations	$ 3,107	3,389	282	16
Livestock Services Revolving Fund				
Net Financing Requirement (Recovery)	–	201	201	17
Subtotal	$ 3,107	3,590	483	

Financial Schedules 2003-2004	2003-04 Estimates $000s	2003-04 Actuals $000s	Variances over (under) $000s	Notes
Policy and Planning	$ 6,053	7,607	1,554	18
Research and Technology				
Project Coordination	$ 1,304	1,131	(173)	19
Research Programming	12,575	12,204	(371)	20
Subtotal	$ 13,879	13,335	(544)	
Development and Technology Transfer	$ 13,141	14,288	1,147	21
Farm Stability and Adaptation				
Net Income Stabilization Account	$ 52,000	-	(52,000)	22
Agricultural Policy Framework Initiatives	18,000	-	(18,000)	23
Adaptation Initiatives	8,250	4,212	(4,038)	24
Canadian Agricultural Income Stabilization	-	98,776	98,776	25
BSE Recovery Program	-	46,200	46,200	26
Subtotal	$ 78,250	149,188	70,938	
Investment Programs				
Financial Programs Management	$ 5,158	4,806	(352)	27
2002 Short-term Hog Loan Program-Loan Losses	500	378	(122)	28
Livestock Drought Loan Program Financing	300	-	(300)	29
BSE Loan Loss Provision	-	4,259	4,259	30
Subtotal	$ 5,958	9,443	3,485	
Crop Insurance				
Program Delivery	$ 25,000	25,000	-	
Crop Premiums	90,000	89,645	(355)	31
Interest Subsidy	2,400	4,669	2,269	32
Subtotal	$ 117,400	119,314	1,914	
Total Expenditure	$ 251,818	378,474	126,656	
Statutory Adjustments for Revolving Funds	$ 600	-	(600)	33
Special Warrants	$ 128,576	-	(128,576)	34
Adjustment for Change in Accounting Treatment	0	(46,087)	(46,087)	35
Total Revised Estimates and Expenditure	$ 380,994	332,387	(48,607)	
2003-2004 Department Total	$ 380,994	332,387	(48,607)	
FTE Staff Complement (FTE-Full Time Equivalent)	593.50	559.50	(34.00)	36

These financial schedules have been prepared in accordance with the government's accrual accounting policies.
Note: Totals may not add due to rounding.

Financial Schedules – Notes

Explanations of variances which exceed $20,000 between estimates and actuals

Revenues

1. Demand for agricultural land was lower than estimated due to the downturn in the agricultural industry.
2. Petroleum and Gas Lease revenue was higher due to an increase in new well activity and Easement revenue was higher due to increased oil activity.
3. Interest revenue was higher because of higher than expected long-term land account receivable balances.
4. Administration expenses for the Saskatchewan Crop Insurance Corporation (SCIC) are cost shared 50/50 by the Federal and Provincial Governments. The Department advances SCIC 100 per cent of the funding and the Federal Government then reimburses the Department for its share of the approved costs incurred. Actual administration expenses of SCIC were higher than budgeted. Also, the Federal Government's reimbursement for cost shared administration expenses associated with the BSE Recovery Program was not budgeted.
5. Assignment Fee revenue on land leases was higher than budgeted because of the increase in oil activity.
6. Interest revenue was lower because the total amount of outstanding loan balances for the 2002 Short Term Hog Loans was lower. Also, actual interest rates were lower than those used in preparing the budget.
7. PAWBED (Partnership Agreement on Water-Based Economic Development) loans were transferred from the Saskatchewan Water Corporation to the department during 2003-04.
8. The higher than budgeted revenue is a result of reductions to the Herd Retention Program liability, proceeds from the settlement of a loan guarantee, refund of provincial contributions to CSAP II, reimbursement of Farm Input Price Survey costs and repayment of previous year grants.

Expenditure

9. The over expenditure resulted from higher than budget salary and travel costs.
10. Lease costs for the remaining terms on the 21 Rural Service Centre closures were a 2003-04 expense.
11. Grants to agricultural organizations were higher than budgeted.
12. Expenditures were lower due to lower than expected maintenance costs on the Crown Land Management System.
13. When the department sells land for less than its original cost, a loss is recorded. In 2003-04, the amount of Crown land sold at lower than cost was higher than anticipated.
14. The increase in the allowance for uncollectible land revenue account receivables was lower than budgeted due to successful collections.
15. The Pastures Revolving Fund cash expenditures exceeded cash revenues, resulting in a net expenditure. Revenues were lower due to the payment of prior year's GST which was submitted in 2003-04.
16. Chronic Wasting Disease Surveillance Program expenditures were higher than budgeted.
17. The Livestock Services Revolving Fund cash expenditures exceeded cash revenues resulting in a net expenditure. Revenues were down due to the reduced number of cattle marketed as a result of BSE.
18. Information and technology costs were higher than budgeted due to new program development (e.g. BSE programs), additional information technology costs as a result of Government on Line (GOL) projects and contract costs and the department's share of the costs of the Commission on Financing K-12 Education.

19. Savings resulted from vacant positions and lower contract costs due to government restraint measures.
20. Program activity was lower due to less demand on the Agricultural New Generation Co-operatives Program.
21. Expenditures were higher due to severance costs associated with the termination of 120 staff in the closure of the 21 Rural Service Centres.
22. Provincial contributions to the Net Income Stabilization Account (NISA) program were lower due to lower than expected producer eligible net sales.
23. Expenditures associated with the Agricultural Policy Framework (APF) Programming were not incurred in the 2003-04 fiscal year as the Implementation Agreement was signed in late December 2003.
24. Adaptation Initiatives included the Farm Family Opportunities Initiative (FFOI) and the Conservation Cover Program (CCP). Activity under these two programs was lower than budgeted.
25. The APF Implementation Agreement was signed by the Province in late December 2003. An analysis of the final structure of the Canadian Agricultural Income Stabilization (CAIS) Program required the Government of Saskatchewan to expense an estimate for the 2003 CAIS Program year in 2003-04.
26. This was a new 2003-04 program initiative to provide financial assistance to livestock producers as a result of BSE.
27. Expenditures were lower due to government restraint measures.
28. Actual loan advances in April 2003 under the 2002 Short Term Hog Loan Program were lower than budgeted.
29. Financing costs associated with the Livestock Drought Program were not required as the Agricultural Credit Corporation of Saskatchewan (ACS) was in an interest surplus position in 2003-04.
30. This new 2003-04 Program Initiative provided funding to cover losses on loans provided by financial institutions to assist the livestock industry through the BSE crisis.
31. The 2003-04 Crop Insurance crop premiums contribution was lower than budgeted, due to producers insuring less acres than originally anticipated.
32. The Crop Re-insurance Fund debt is larger than budgeted, which results in a larger interest subsidy.
33. Since Revolving Funds are given statutory authority to spend within certain limits, the actual net financing requirements (or recovery) that occurs in the year doesn't impact the Department's base budget. Instead, the Department's base budget is adjusted to reflect the actual net financing required (or recovered).
34. Special Warrants increase the Province's overall budget, and are disclosed in the Public Accounts as an increase in the appropriations. Special Warrants may only be issued when the Legislature is not in session. In 2003-04, the department received a Special Warrant for BSE Recovery Program of $27.2 million, the Canadian Agricultural Income Stabilization Program of $98.8 million and Crop Insurance Interest Subsidy of $2.6 million.
35. During the year, SAFRR's expenditures were reduced by $46.087 million as a result of a change to the accounting treatment for transfers under the NISA. The change only involved the timing of when NISA expenses were recognized and had no impact on total contributions by Government over the life of the NISA program.

FTE

36. The variance was a result of vacant staff positions throughout the year, and a transfer of 13 positions to the Department of Highways and Transportation.

Revolving Funds, Loans and Guaranteed Debt Information

In addition to the information contained in the Financial Schedules, more detailed information on Revolving Funds and Loan Guarantees is contained in Appendices A and B.

Special Warrant Funding

On February 24, 2004, the Department of Agriculture, Food and Rural Revitalization received Special Warrant funding in the amount of $128.576 million.

The Special Warrant funding was received for three purposes:

- Provincial funding for the BSE Programs - $27.2 million (Total Program costs of $53.6 million less department program savings from other areas of $26.4 million);
- Funding for the Province's commitment to the Canadian Agricultural Income Stabilization (CAIS) Program of the Agricultural Policy Framework - $98.776 million; and
- Additional funding for the Interest Subsidy to Crop Insurance - $2.6 million.

Where to Obtain Additional Information

The purpose of this section is to provide readers with a means to obtain further information, ask questions or provide comments on the department's performance results.

Readers seeking additional information may consult the SAFRR Web site, located at http://www.agr.gov.sk.ca/. This site includes detailed program information, agronomic information, reports, statistics and several interactive features. Additional information may also be obtained by writing:

Communications Branch
Room B5
3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Readers may also provide feedback on SAFRR's plan via the above site, at http://www.agr.gov.sk.ca/apps/contact/ask_safrr.asp, or by writing to:

Deputy Minister
Saskatchewan Agriculture, Food and Rural Revitalization
Room 101, 3085 Albert Street
Regina, Saskatchewan
S4S 0B1

Appendices

Appendix A – Revolving Funds

Pasture Revolving Fund

The Saskatchewan Pastures Program operates 55 provincial community pastures throughout the province, encompassing 806,000 acres of department administered Crown land. This land assists farmers and cattle producers by providing supplemental grazing opportunities in order for them to expand and/or diversify their farming and ranching operations. The operation of the Saskatchewan Pastures Program is supportive of the departmental objective of increased livestock production and diversification to higher value crops.

The Pastures Revolving Fund uses revenues generated from patron fees and other revenues in order to operate the program. The fund has the flexibility to operate between a $700,000 deficit and $700,000 surplus on an accumulating basis. Surpluses in excess of the maximum are paid to the General Revenue Fund, deficits in excess of the maximum are covered by a subsidy from the General Revenue Fund. Since the inception of the fund, there were two years - 1995-96 and 1996-97 where money was transferred to general revenue ($152,287 and $66,040 respectively). In 1999-2000 and 2000-01 the General Revenue Fund supplemented the revolving fund in the amounts of $96,984 and $29,351 respectively.

Financial statements are audited by the provincial auditor each year and copies of those audited statements are available from SAFRR Corporate Services.

Summary of revenue and expenditures for 2003-04 fiscal year (unaudited)

(thousands of dollars)

	Budget	Actual	Variance Over (Under)	
Revenue	6,880	6,495	(385)	1
Expenditures				
Operations	6,330	6,297	(33)	2
Net Profit (Loss)	550	198	(352)	
Subsidy from the General Revenue Fund	–	–	0	
Net Profit (Loss) After Subsidy	**550**	**198**	**352**	

1 Reduced revenues from grazing due to drought conditions.
2 Expenditures reduced to respond to lower revenues.

Livestock Services Revolving Fund

The Livestock Services Revolving Fund provides brand inspection services, registers livestock brands, licences livestock dealers and provides administrative services for the Cattle Marketing Deductions Fund and the Horned Cattle Fund.

Under authority of *The Department of Agriculture, Food and Rural Revitalization Act* and the Minister of Agriculture and Food, the Livestock Services Revolving Fund provides services on a cost recovery basis to determine ownership of livestock and ensure financial security for livestock owners. The Livestock Services Revolving Fund contributes to the department's objective of increased livestock production and diversification to higher value crops.

Summary of revenue and expenditure information for 2003-04, relating to the operations of the fund (unaudited)

(thousands of dollars)

	Budget	Actual	Variance Over (Under)	
Revenue	2,867	2,535	(332)	1
Expenditures	2,831	2,744	(87)	2
Net Profit (Loss)	36	(209)	(245)	
Subsidy from the General Revenue Fund	-	-	-	
Net Profit (Loss) After Subsidy	36	(209)	(245)	

1. The detection of BSE in Canada in May 2003 had a significant impact on the livestock industry, which resulted in lower revenue than expected due to the fact that fewer cattle were marketed.
2. The cost of inspections is not directly proportional to the number of inspections conducted, therefore expenses did not decrease by the same amount as revenue; however, expenses were lower because of fewer inspections.

Appendix B – Loans and Guaranteed Debt

Livestock Loan Guarantee (LLG) Program

The LLG Program facilitates growth of Saskatchewan's livestock industry by providing producer associations access to credit at favourable interest rates and with limited collateral requirements for purchase of cattle, sheep or bison. The program may also be used as a management tool to generate cash flow through retained ownership options. The LLG Program supports increased livestock production by providing guarantees to lenders who make loans to production associations and individual feedlot operators.

2003-04 budgeted and actual guarantees under the LLG Program by category:

Breeder Associations (thousands of dollars)	**Budget**	**Actual**	**Variance Over (Under)**
Beginning Balance	16,831	16,831	0
Additions	1,169	1,070	(99)
Reductions			0
Ending Balance	18,000	17,901	(99)

Explanation of Variance:
Program participation lower as a result of BSE and the border closure.

Feeder Associations (thousands of dollars)	**Budget**	**Actual**	**Variance Over (Under)**
Beginning Balance	10,431	10,431	0
Additions	6,569	2,272	(4,297)
Reductions			0
Ending Balance	17,000	12,703	(4,297)

Explanation of Variance:
Program participation lower as a result of BSE and the border closure.

Feedlot Loan Guarantees (thousands of dollars)	**Budget**	**Actual**	**Variance Over (Under)**
Beginning Balance	8,000	-	(8,000)
Additions			0
Reductions			0
Ending Balance	8,000	-	(8,000)

Explanation of Variance:
Program was developed late in the year and was not immediately utilized by producers due to the impact of BSE and the border closure.

Short Term Hog Loan Program(s)

The Short Term Hog Loan Program(s) supports increased livestock production by providing loans to producers. The initial Short-Term Hog Loan Program that was announced in December 1998, assisted hog producers in offsetting operating losses due to a severe reduction in hog prices at that time. A second hog loan program was announced in November 2002, in response to the high feed prices and depressed market prices that hog producers were experiencing.

2003-04 budgeted and actual loans under the Short Term Hog Loan Program

1998 STHP outstanding loans (thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	177	177	0
Additions			0
Reductions	(70)	(70)	0
Ending Balance	107	107	0

2002 STHP outstanding loans (thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	11,991	11,991	0
Additions	4,500	2,610	(1,890)
Reductions	(2,000)	(81)	1,919
Ending Balance	14,491	14,520	29

Explanation of Variance:
Uptake on the program was lower than anticipated due to hog prices increasing in April 2004.

Agricultural Credit Corporation of Saskatchewan

The Agricultural Credit Corporation of Saskatchewan (ACS) short term financing is being repaid by ACS as ACS collects on the outstanding loan portfolio. Since the wind-down was announced in March 1996, the Corporation continues to focus on reducing the outstanding loan portfolio and resolving outstanding accounts.

Agri-Food Equity Fund (AFEF) debt was the financing used by the fund for agri-value added investments and will be repaid as AFEF investments are repaid.

2003-04 budgeted and actuals of the ACS and the AFEF

ACS Line of Credit (thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	10,100	10,100	0
Additions	16,100	15,100	(1,000)
Reductions	(16,100)	(16,100)	0
Ending Balance	10,100	9,100	(1,000)

Explanation of Variance:
Higher than anticipated loan repayments allowed a greater pay down of the ACS line of credit.

Agri-Food Equity Fund (thousands of dollars)	Budget	Actual	Variance Over (Under)
Beginning Balance	10,250	10,250	0
Additions	–	–	0
Reductions	0	0	0
Ending Balance	10,250	10,250	0

Appendix C – Saskatchewan Legislation Administered by Saskatchewan Agriculture, Food and Rural Revitalization 2003-04

The Agricultural Credit Corporation of Saskatchewan Act
The Agricultural Equipment Dealerships Act
The Agricultural Implements Act
The Agricultural Operations Act
The Agricultural Safety Net Act
The Agricultural Societies Act
The Agri-Food Act
The Agri-Food Innovation Act
The Agrologists Act, 1994
The Animal Identification Act
The Animal Products Act
The Animal Protection Act, 1999
The Apiaries Act
The Cattle Marketing Deductions Act, 1998
The Crop Insurance Act
The Crop Payments Act
The Department of Agriculture, Food and Rural Revitalization Act
The Diseases of Animals Act
The Expropriation (Rehabilitation Projects)Act
The Farm Financial Stability Act
The Farmers' Counselling and Assistance Act
The Farming Communities Land Act
The Grain Charges Limitation Act
The Horned Cattle Purchases Act
The Irrigation Act, 1996
The Land Bank Repeal and Temporary Provisions Act
The Leafcutting Beekeepers Registration Act
The Line Fence Act
The Milk Control Act, 1992
The Noxious Weeds Act, 1984
The On-farm Quality Assurance Programs Act
The Pastures Act
The Pest Control Act
The Pest Control Products (Saskatchewan) Act
The Prairie Agricultural Machinery Institute Act, 1999
*The Provincial Lands Act**
*The Sale or Lease of Certain Lands Act**
The Saskatchewan 4-H Foundation Act
*The Saskatchewan Farm Security Act**
The Soil Drifting Control Act
The Stray Animals Act
The Vegetable, Fruit and Honey Sales Act
The Veterinarian Act, 1987
The Veterinary Services Act
The Wascana Centre Act

* Joint responsibility

Appendix D – Special Purpose Funds and Agencies with Legislative Responsibilities to Saskatchewan Agriculture, Food and Rural Revitalization as of March 31, 2004

	Year End
Special Purpose Funds (Financial Statements are tabled separately)	
Cattle Marketing Deductions Fund	March 31
Horned Cattle Fund	March 31
Livestock Services Revolving Fund	March 31
Pastures Revolving Fund	March 31
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31
Agencies (Annual Reports are published separately)	
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Agricultural and Food Products Development and Marketing Council	December 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Irrigation Crop Diversification Corporation (ICDC)	March 31
Milk Control Board	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31

Agencies under the Agricultural and Food Products Development and Marketing Council (Agri-Food Council)

Chicken Farmers of Saskatchewan
Saskatchewan Alfalfa Seed Producers Development Commission
Saskatchewan Broiler Hatching Egg Producers' Marketing Board
Saskatchewan Canola Development Commission
Saskatchewan Commercial Egg Producers' Marketing Board
Saskatchewan Flax Development Commission
Saskatchewan Mustard Seed Development Commission
Saskatchewan Pulse Crop Development Board
Saskatchewan Sheep Development Board
Saskatchewan Turkey Producers' Marketing Board
SaskPork

Appendix E – Assistance to General Agricultural Interests

SAFRR provides for financial assistance and support to various organizations that facilitate the development, expansion and diversification of the agricultural industry. The following list identifies organizations that received assistance of $5,000 or more in 2003-04.

- Agriculture Development and Diversification (ADD) Boards: $535,500 in grants were provided in relation to the fieldworker program, which provides funding for co-ordinated pest control programs, with the largest being rat eradication.
- Agriculture in the Classroom Program: $50,000 annual administration grant.
- Beef for Relief: $100,000 grant to assist Food Banks by distributing beef products in order to support the cattle industry.
- Canadian Beef Export Federation: $20,000 grant to assist promotional programs that serve to enhance the export of Canadian beef.
- Canadian Western Agribition: $55,000 including sponsorship of the grand opening breakfast, the International Reception, the Opportunities Showcase, the Premier's Reception, two Saskatchewan Days at the International Business Centre and sponsorship of the International Marketing Initiatives.
- Institute of Agricultural, Rural and Environmental Health: $100,000 grant to assist in the expansion of extension programming.
- District #32 ADD Board: $125,000 grant to assist in the co-ordinated control of black flies in the Prince Albert region.
- Canola Council of Canada: $5,000 grant to sponsor Prairie Wide Canola Variety Testing Program.
- Crop Diversification Centre North: $10,000 grant to sponsor Tri-Provincial Partnership Initiative in Assessing the Scientific Basis for Varietals Evaluation.
- East Central Research Foundation: $49,000 grant to support Agri-Arm activities.
- Federation of Saskatchewan Indian Nations: $30,000 grant to help FSIN undertake activities related to agricultural research and development and provide assistance to facilitate Tribal Council meetings re: APF impact on First Nations.
- Honeyman's Beef Purveyors: $14,999 purchase of beef for the Toronto Beef Promotion at SARS Concert.
- Indian Head Agricultural Research Foundation: $42,000 grant to support Agri-Arm activities.
- Northeast Agricultural Research Foundation: $25,000 grant to support Agri-Arm activities.
- Prairie Diagnostic Services: $1,900,000 annual administration grant.
- Provincial Council of ADD Boards: $50,000 administrative support grant.
- POS Pilot Plant Cooperation: $75,000 administration grant and provincial membership fees.
- Regina Exhibition Park: $5,170 grants to sponsor Beef without Borders and BBQ at the Canadian National Arabian and Half-Arabian Championship Horse Show (The Royal Red).
- The Royal Red: $10,000 grant to assist in hosting the Canadian National Arabian and Half-Arabian Championship Horse Show in Regina.
- Provincial 4-H program: $300,000 administration grant. SAFRR also provides significant in-kind support, such as office space and equipment.
- Saskatchewan Agriculture Hall of Fame: $5,000 administration grant.
- Saskatchewan Agrivision Corporation: $5,000 grant for annual membership fee.
- Saskatchewan Conservation Learning Centre: $30,000 grant to support Agri-Arm activities.
- Saskatchewan Food Processors Association: $50,000 annual operating grant to assist the association in encouraging the growth of the Saskatchewan food and beverage industry through the promotion of 'SASKATCHEWAN MADE' products in and beyond the province.
- Saskatchewan Pulse Growers: $10,000 in grants to assist with conducting of regional

trials of pulse crop varieties and to sponsor the processor workshop at their Processing for Profit Conference.

- Saskatchewan Sheep Development Board: $220,000 was provided to assist the Sheep Development Board with the livestock predation intervention project and to support the Board's strategy to grow, develop and add value to the sheep industry in Saskatchewan.
- Saskatchewan Stock Growers: $11,500 grant to support Prairie Conservation Action Plan (PCAP) and sponsorship of the 2003 Western Canadian Forage and Grazing Conference.
- Saskatchewan Vegetable Growers Association: $6,100 grant to sponsor the contracting of a high profile speaker to expand the marketing skills of Saskatchewan vegetable growers.
- Seager Wheeler Farm: $25,000 grant to support Agri-Arm activities.
- South East Research Farm: $49,000 grant to support Agri-Arm activities.
- University of Saskatchewan: $19,000 grant to operate a horticultural hotline in the area of non-commercial horticulture and to sponsor Vetavision 2003.
- Western Applied Research Corp.: $30,000 grant to support Agri-Arm activities.
- Wheatland Conservation Area Inc.: $49,000 grant to support Agri-Arm activities.
- XL Fine Foods (Food Bank): $41,040 grant for donation of beef to food banks in support of the beef industry.

Appendix F – Appeals, Complaints, Hearings and Freedom of Information Requests

Under the Social Union Framework Agreement (SUFA) the province is committed to report on the number of appeals on access to services and the number of complaints on program administration received each year. The following describes the appeals, complaints, hearings and Freedom of Information Requests that were received by the department during 2003-04.

- The Lands Appeal Board held 13 appeal hearings of Crown land lease allocations. The board upheld four allocations. Eight were returned to the department for rescoring. One decision is pending.
- The Agricultural Operation's Review Board received five applications for determination about farm nuisance. The Board held three hearings with two decisions in favour of the farm operator and one decision in favour of the applicant. One complaint was withdrawn and mediation was accepted by the parties to the other application (parties still in mediation process).
- The Livestock Services Revolving Fund issued 191 Livestock Dealer licenses and verified their bonds and issued 195 Dealer Agent licenses. The fund received two new dealer bond claims and denied one bond claim. The fund also received four withheld livestock settlements totaling $48,059.87 and determined the disposition of the funds.
- The Pesticide Investigator handled 60 complaints related to the improper use of pesticides. The pesticide unit completed inspection of 30 vendors during the year.
- The Agri-Food Act Appeal Committee mediates disputes or, if necessary, confirms, varies, disallows or stays decisions of agencies that fall under *The Agri-Food Act*. During 2003-04, the Committee held six appeal meetings and rendered decisions addressing appeals filed regarding actions of agencies established under *The Agri-Food Act*.
- The Agricultural Implements Board holds hearings on producer claims for compensation in respect to alleged losses experienced because there was an unreasonable delay in the availability of farm equipment parts. There were no claims in 2003-04.
- Responses were prepared to 13 Freedom of Information (FOI) applications made to SAFRR.

Appendix G – Regulatory Amendments

The 2003-04 regulatory agenda included:

- *The Crop Insurance Amendment Regulations, 2003 (No. 2)* amended *The Crop Insurance Regulations* to finalize the program details for the 2003 crop insurance program.
- *The Conservation Cover Program Amendment Regulations, 2003* amended *The Conservation Cover Program* Regulations to include the allocated amount of $3.9 million for the 2003-04 fiscal year.
- *The Drought Relief (Herd Retention) Program Amendment Regulations, 2003* (No. 2) amended *The Drought Relief (Herd Retention) Program Regulations* to move a Rural Municipality to a higher drought region.
- *The Enhanced Cattle Feeder Associations Loan Guarantee Regulations* provide the framework which will allow feedlot operators and individual feeders to form enhanced feeder associations for the purpose of feeding cattle.
- *The Provincial Lands Amendment Regulations, 2003* (No. 2) amended *The Provincial Lands Regulations* to update the name of the department and change the manner by which the Lands Appeal Board hears appeals.
- *The Waterfowl Damage Compensation Program Amendment Regulations*, 2003 amended *The Waterfowl Damage Compensation Program Regulations* to allow for the transfer of surplus funds in the Waterfowl Damage Compensation Account to the Big Game Damage Compensation Account.
- *The Canada Saskatchewan BSE Recovery Program Regulations* provides the framework to administer the Canada Saskatchewan BSE Recovery Program, the purpose of which is to provide financial assistance to livestock producers in the cattle finishing industry to relieve financial hardships caused by the market disruptions due to BSE.
- *The Canada Saskatchewan BSE Recovery Program Amendment Regulations, 2003* amended *The Canada Saskatchewan BSE Recovery Program Regulations* to provide restrictions respecting transfer or assignment of assistance payment.
- *The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 2003* amended *The Cattle Breeder Associations Loan Guarantee Regulations, 1991* to include Peace Hills Trust Company as a prescribed lender, to increase the loan limit for a breeder association, and to allow for payments of breeder advances to be adjusted where a prepayment is made or where inventory is sold.
- *The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2003* amended *The Cattle Feeder Associations Loan Guarantee Regulations, 1989* to clarify the definition of "cattle" in the regulations, to include Peace Hills Trust Company as a prescribed lender and to increase the loan limit for a feeder association.
- *The Canada Saskatchewan BSE Recovery Program Amendment Regulations, 2003* (No. 2) amended *The Canada Saskatchewan BSE Recovery Program Regulations* to align the regulations to the proposed federal-provincial agreement.
- *The Brand Amendment Regulations, 2003* amended *The Brand Regulations* to allow marking of eligible fed cattle under the Set-Aside Element of the BSE Recovery Program.
- *The Canada Saskatchewan BSE Recovery Program Regulations, 2003* (No. 2) repeals and replaces *The Canada Saskatchewan BSE Recovery Program Regulations* to update the Slaughter Element of the BSE Recovery Program, and to support the introduction of the Inventory and Pricing Element and the Set-Aside Element of the BSE Recovery Program.
- *The Agricultural Implements Amendment Regulations, 2003* amend *The Agricultural Implements Regulations*, 1982 to reflect changes made to the Act.

- *The BSE Livestock Loan Guarantee Program Regulations* provides the framework to administer the BSE Livestock Loan Guarantee Program, the purpose of which is to allow livestock producers facing financial hardship due to the market disruption caused by BSE to access funds to assist in maintaining their livestock operations.
- *The Canada Saskatchewan BSE Recovery Program (No. 2) Amendment Regulations, 2003* amended *The Canada Saskatchewan BSE Recovery Program Regulations, 2003* (No. 2) to provide payments to producers with eligible livestock that continue to be affected by the disruption in the cattle market due to BSE.
- *The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 2003* (No. 2) amended *The Cattle Breeder Associations Loan Guarantee Regulations, 1991* to remove reference to Saskatchewan Health Services Card, and to increase time of repayment and sale of calves.
- *The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2003* (No. 2) amended *The Cattle Feeder Associations Loan Guarantee Regulations, 1989* to remove reference to Saskatchewan Health Services Card, and to increase time of repayment and sale of animals.
- *The Saskatchewan Mustard Development Plan Regulations* establishes a refundable check-off similar to the structure successfully established for other development commissions.
- *The Sheep Breeder Associations Loan Guarantee Amendment Regulations, 2003* amended *The Sheep Breeder Associations Loan Guarantee Regulations* to remove reference to Saskatchewan Health Services Card, to increase time of repayment and sale of animals and to allow for the recovery of losses.
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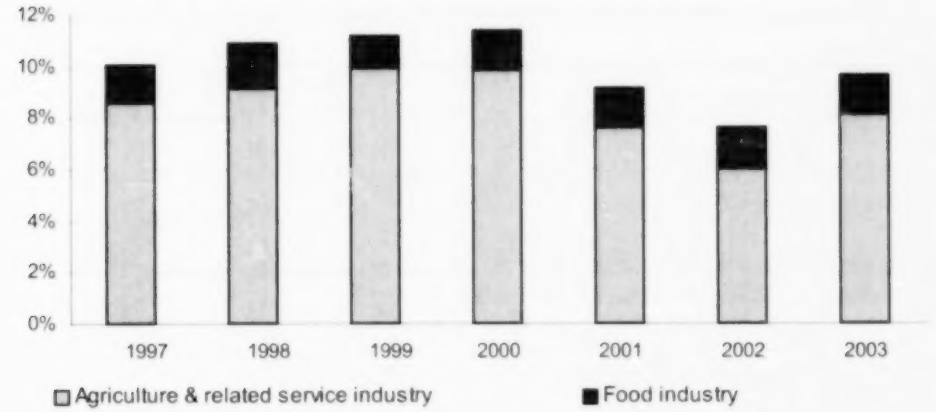
- *The Broiler Hatching Egg Marketing Plan Amendment Regulations, 2003* amended *The Broiler Hatching Egg Marketing Plan Regulations* to establish a new governance structure for the Saskatchewan Broiler Hatching Egg Producers' Marketing Board.
- *The Individual Cattle Feeder Loan Guarantee Regulations* establishes a program that provides guarantees to lenders on loans made to feedlot operators for the purchase of feeder animals.
- *The Canada Saskatchewan BSE Recovery Program (No. 2) Amendment Regulations, 2004* amended *The Canada Saskatchewan BSE Recovery Program Regulations, 2003* (No. 2) to extend the Fed Livestock Competitive Market Adjustment Program; to make a number of administrative changes to the program; and to add the framework to allow the administration of the Cull Animal Program, which will provide payments to producers to offset a portion of the market losses due to the border closure.
- *The Brand Amendment Regulations, 2004* amended *The Brand Regulations* to allow the use of a shelter symbol as a component of a registered mark for purposes of any regulation under Parts VI or VI.1 of *The Farm Financial Stability Act*.
- *The Crop Insurance Amendment Regulations, 2004* amended *The Crop Insurance Regulations* to finalize the program details for the 2004 crop insurance program.
- *The Canada Saskatchewan BSE Recovery Program (No. 2) Amendment Regulations, 2004 (No. 2)* amended *The Canada Saskatchewan BSE Recovery Program Regulations, 2003* (No. 2) to extend the registration deadline for the Cull Animal Program, and to make an administrative change to the Incentive Program.

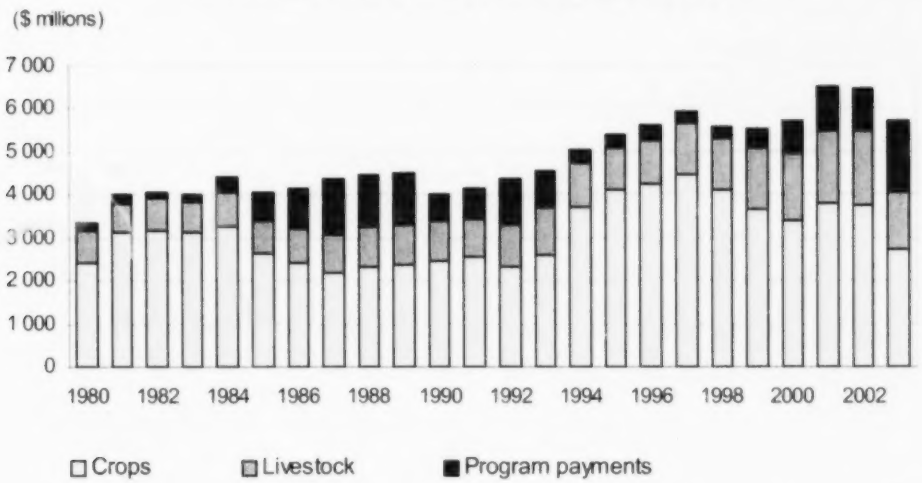
Appendix H – Saskatchewan Agri-Food Indicators

Sask. Agri-Food GDP
as a % of Sask. Total GDP



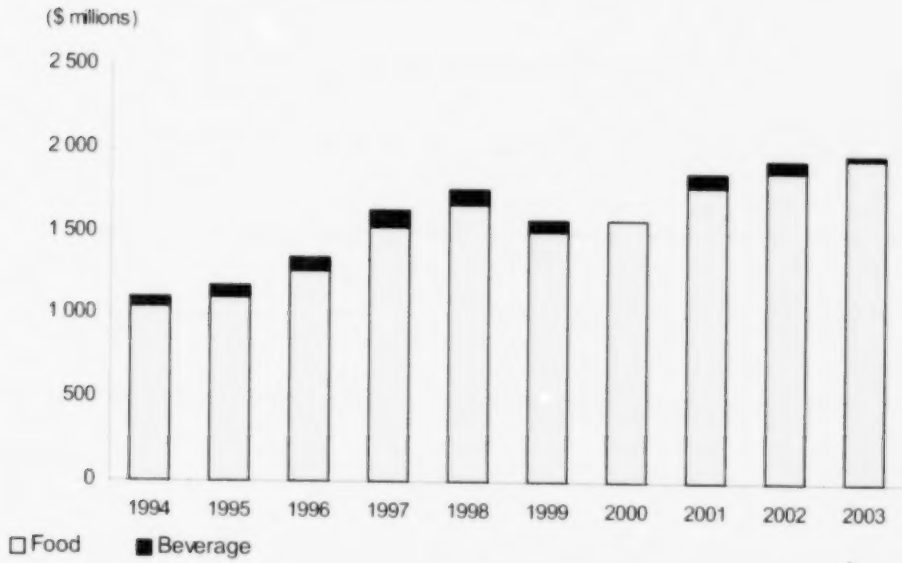
The importance of the agriculture and food industry is demonstrated by its contribution to the gross domestic product (GDP) of the province. Over the past five years it has averaged 10 per cent, with variations due to significant changes in production or prices. While agriculture and food GDP has declined relative to the total Saskatchewan GDP since the early 1990s, the decline illustrates the growth and diversity of the Saskatchewan economy rather than a decline in agriculture.

Saskatchewan Sources of Farm Cash Receipts



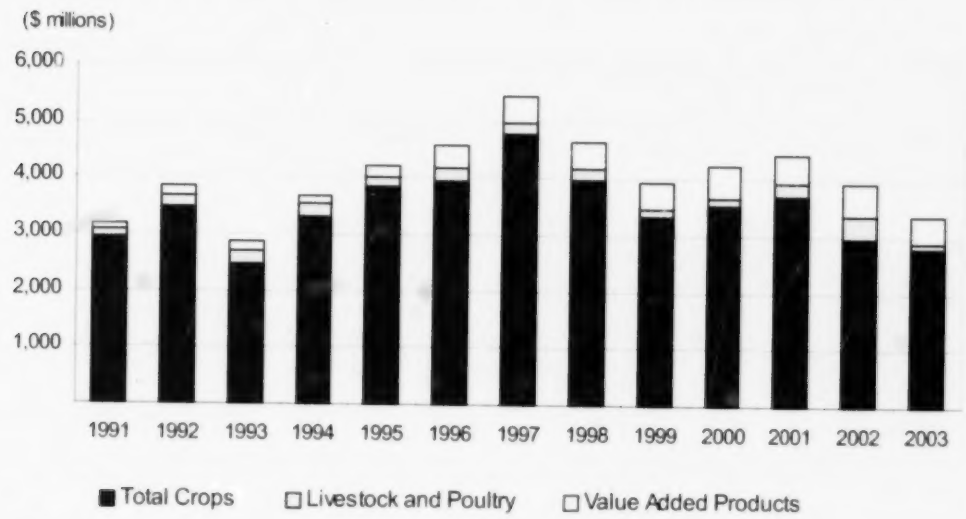
The major contributor to the province's agriculture and food gross domestic product (GDP) is primary production. Farm cash receipts, which are depicted above, are variable from year to year. This variability reflects the cyclical nature of crop receipts, relatively steady livestock receipts in most years and program payments, which in percentage terms may show the greatest change.

Saskatchewan Food and Beverage Industries Value of Shipments



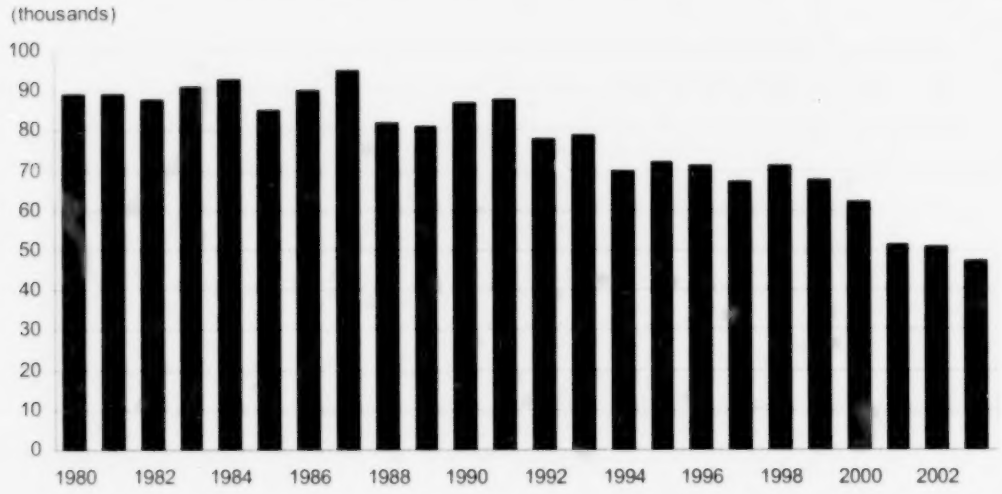
The second major component of the agriculture and agri-food GDP is value-added processing. While growth since 1994 is indicated above by statistics for the food and beverage industry, there are many other components of further processing that are demonstrating similar growth trends.

Value of Saskatchewan Shipments to Other Countries



With a small population and a highly efficient production system, Saskatchewan will always be a major exporter of agriculture and food products. This export activity is a multi-billion dollar activity. An ongoing challenge for Saskatchewan has been to increase the percentage and absolute value of exports that are further processed or are of a value-added form.

Saskatchewan Primary Agriculture Employment

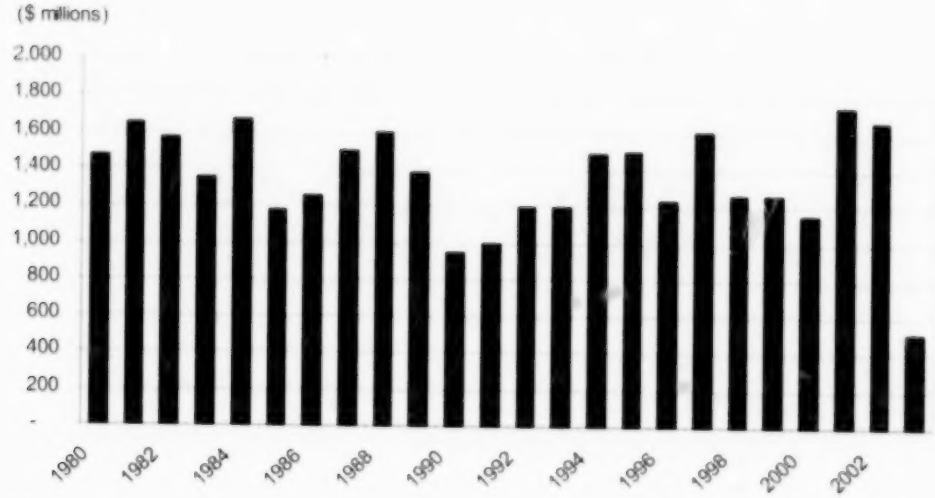


Agriculture and food employment has been declining over time. However, the continued employment of more than 50,000 people in a province with a population of one million people is another indicator of the importance of the sector to the economy. These figures represent direct employment and do not reflect the myriad of service industries that depend on agriculture for their existence. Increased farm size and mechanization will see agricultural employment continue its declining trend.

It should be noted that the Labour Force Survey by Statistics Canada bases its information on self declaration of the respondent's primary occupation according to hours worked. The data has tended to be highly variable over time depending on whether the respondent sees an off-farm job or the farm as the most important source of income.

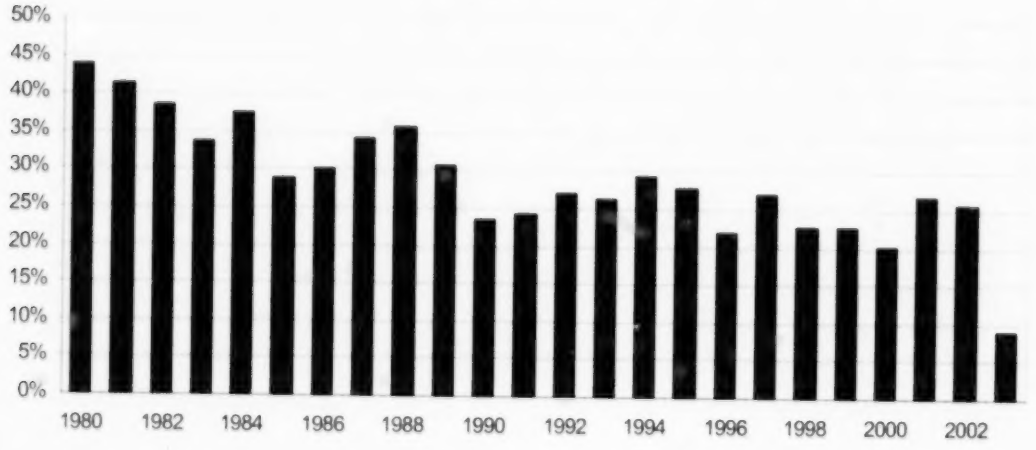
As a result, the occasional very large drops in agricultural employment that are reported by Statistics Canada are not necessarily a large drop in the number of farmers, but could be farmers recorded according to their other sources of income.

Saskatchewan Net Cash Income



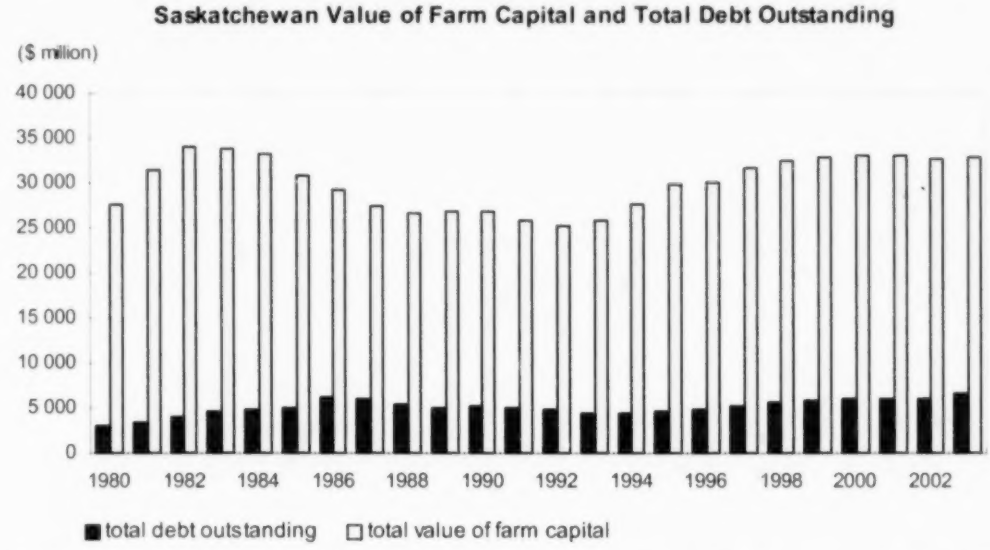
Net cash income is the amount available to a farmer after operating expenses are deducted, but before an allowance for depreciation is taken into account. This measure is generally considered to be the best gauge of a farmer's ability to respond to short-term income variability, because depreciation or re-investment in equipment and buildings can be deferred in the short term.

Saskatchewan Net Cash Income as a Percentage of Total Farm Cash Receipts



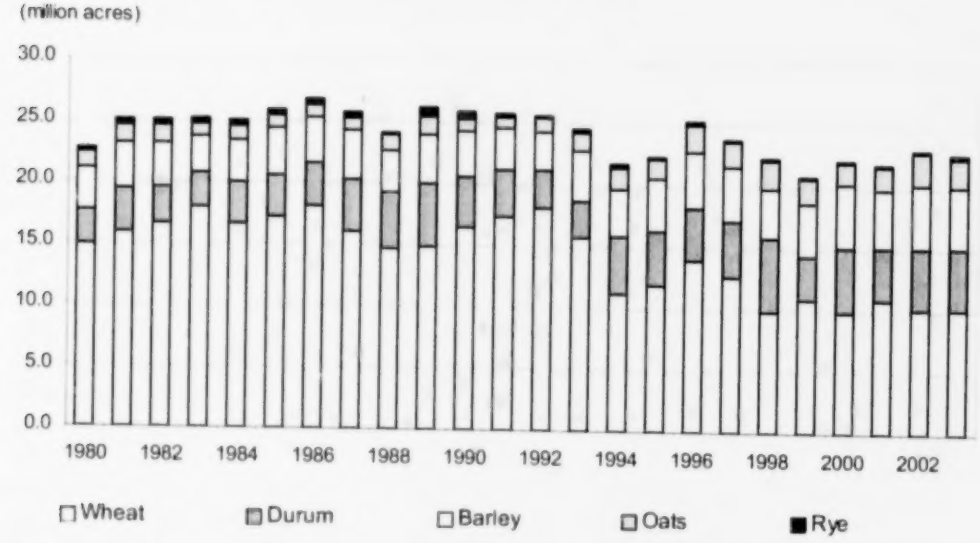
Net cash income as a percentage of total farm cash receipts is another key measure. It indicates the short-term margins a farmer is achieving from his operation. The decline from 40 per cent to around 25 per cent over the past twenty years is indicative of an industry that is seeing reduced margins over time. One result of smaller margins is pressure on operators to increase farm size.

The productivity of Saskatchewan farmers continues to increase over time although severe weather conditions have resulted in the occasional setback. The Saskatchewan Output Indicator depicted above is the combination of all crop and livestock receipts in constant dollars, divided by the acres of farm land. This measure of productivity looks at a per acre output of Saskatchewan agriculture holding the effects of price change constant.



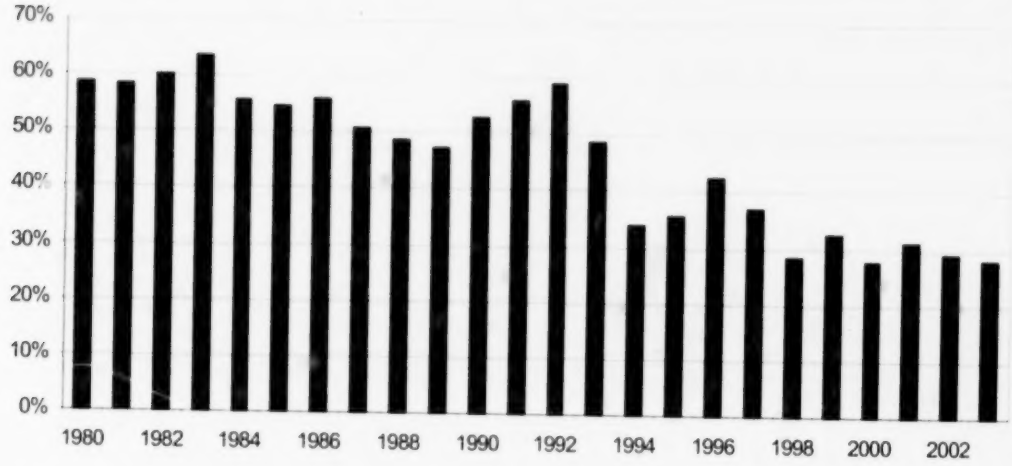
From an industry-wide perspective Saskatchewan farmers have a high level of equity in their farm operations. This results in the low debt-to-capital ratio shown above. It indicates that farmers in Saskatchewan tend to be cautious about borrowing. A common response to more difficult financial periods is to reduce the level of debt in their operations.

Saskatchewan Cereal Crop Acres



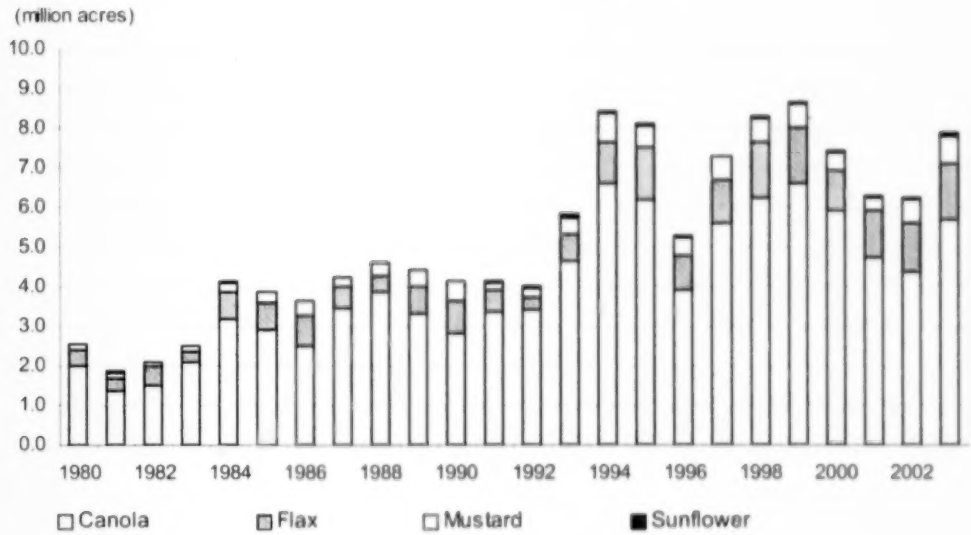
Cereal crops continue to account for the majority of crop acreage in Saskatchewan. This reflects the importance of such crops in multi-year crop rotations. These crops are also attractive because they have lower production risk and require less intensive farming practices.

Saskatchewan Spring Wheat Acres as a Percentage of Total Seeded Acres



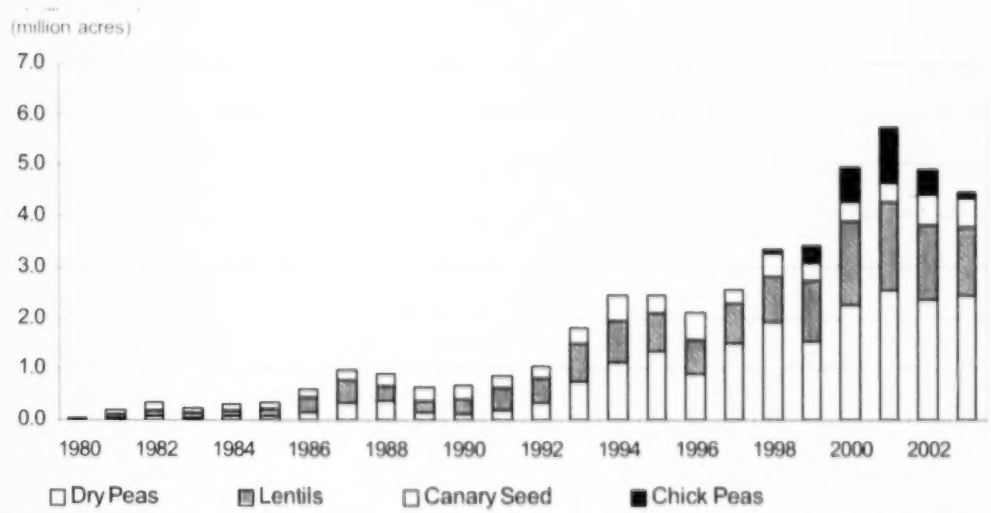
Saskatchewan has often been portrayed as a single-crop region dependent on hard red spring wheat. That reality has changed. Whereas that crop accounted for between 50 to 60 per cent of seeded acres in the 1980s and early 1990s, since then a dramatic diversification to other crops has occurred. Currently, Saskatchewan farmers plant over 50 different crops and are always receptive to new and more profitable alternatives.

Saskatchewan Oilseed Crop Acres



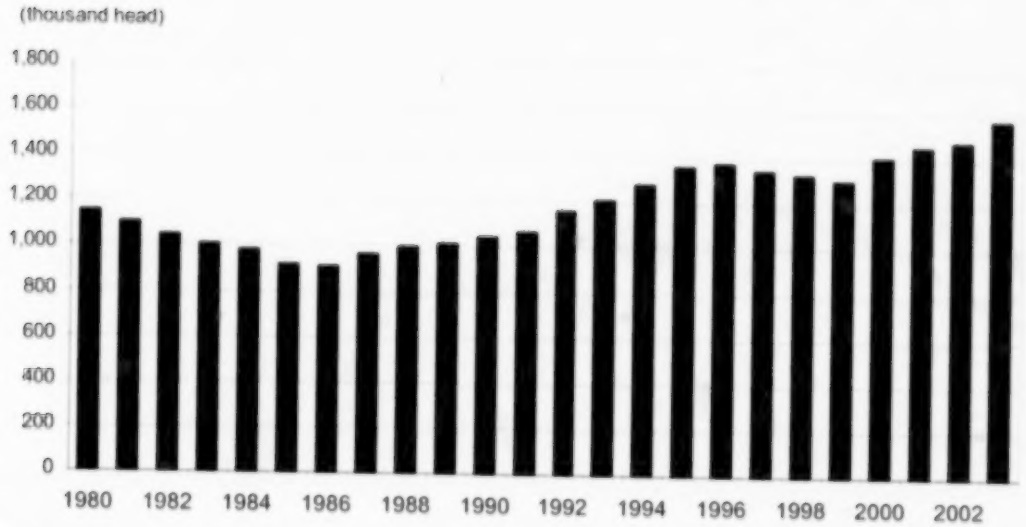
Oilseed crops are an essential part of cropping options for Saskatchewan farmers. On the basis of revenue generated, canola is the second most important crop in the province after spring wheat. The move to longer crop rotations and to continuous cropping that is being practiced in Saskatchewan has been driven partially by the expansion in oilseed acreage.

Saskatchewan Specialized Crop Acres



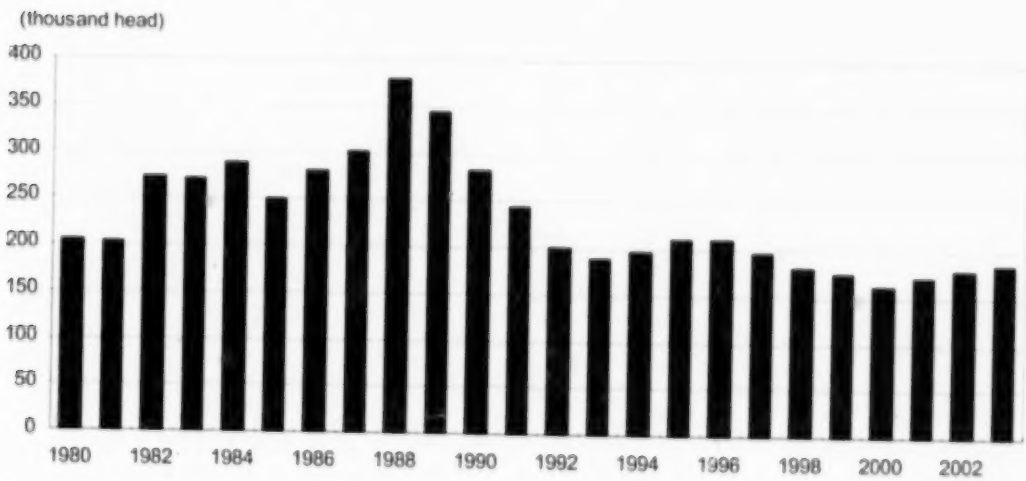
Specialized crops, particularly dry peas, have become an important cropping option for farmers since 1992. While such crops require more intensive farming management than cereal grains, they have become an important component of the crop rotation and are alternated with oilseed production. Many specialized crops provide the benefit of nitrogen fixation, which may help reduce farm input costs.

Beef Cows/Beef Replacement Heifers on Saskatchewan Farms



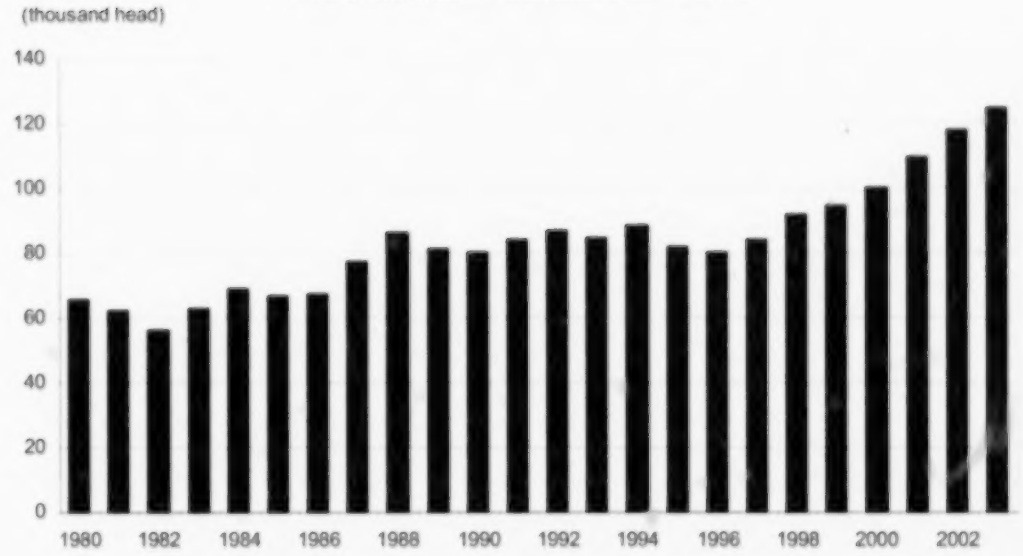
Livestock production is a key aspect of Saskatchewan agriculture. It is viewed as an area for potential growth. Also it can act as a stabilizing influence on farm income and cash receipts as compared to the variability seen in the crops sector. In the above graph, the beef cows/ replacement heifer index measures the "factory" of the cattle industry and the capability of the industry to produce calves for feeding and for replacement breeding stock.

Saskatchewan Slaughter Steers and Heifers



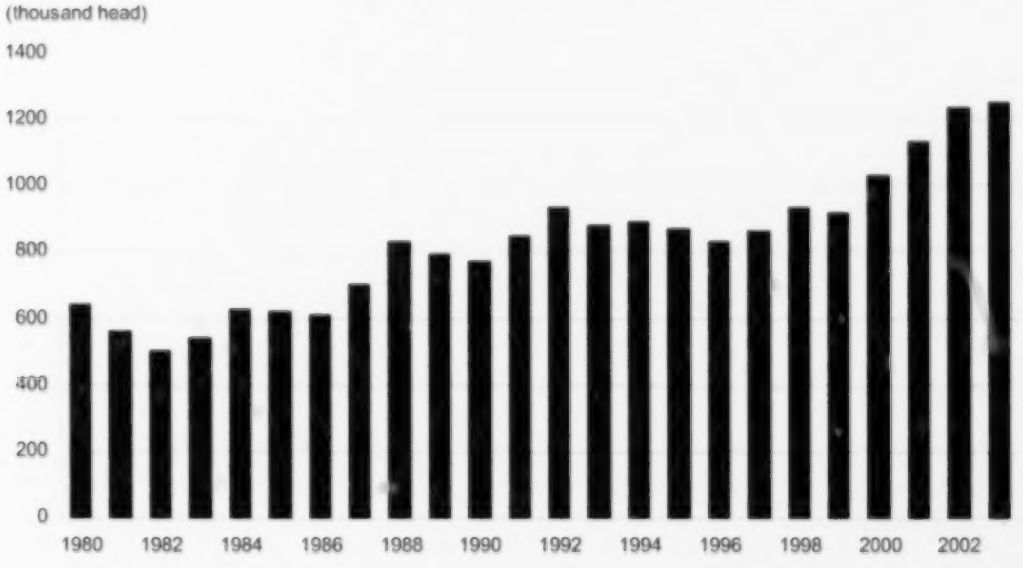
Slaughter steer and heifer marketings measure the amount of value added to the beef calf that is being done within the province. The statistics indicate that the Saskatchewan cattle industry consists primarily of cow-calf operations rather than feedlot enterprises. The calves or feeders produced here tend to be shipped out of the province for final finishing and slaughter.

Sows and Gilts on Saskatchewan Farms



The sow and gilt inventory reflects the "factory" of the hog industry. The numbers depicted above indicate that a relatively steady increase in the province's production capacity has occurred.

Pigs on Saskatchewan Farms



Saskatchewan offers tremendous opportunity in the area of hog production. Steady growth in hog numbers has been achieved in recent years and significant growth is anticipated for the future.

Government of
Saskatchewan

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